FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,090 — Friday November 21 1986 — D 8523 B

Threats confront Hungary's reform plans, Page 28

World news | Business summary

Contras 'begin training in US'

A group of 70 Nicaraguan Contras have begun military training in the US, according to Mr Adolfo Calero, head of one of the largest guerrilla forces fighting the left-wing Sandinista government.

He said the six-week training course had started on US soil two weeks ago. Further training for the rebels, mainly officers, would follow at other sites.

The disclosure is the first sign that direct US support of the Contras has resumed following approval of a $100m aid programme by Congress. Page 6

Karmal bows out

Afghanistan's President Babrak Karmal, who was replaced as Communist Party leader in May, has been relieved of all party and government offices at his own request on health grounds, Kabul Radio said. No successor was named. Page 5

US raid condemned

The UN General Assembly condemned last April's US air raid on Libya, describing it as a violation of international law and saying Libya was entitled to compensation.

Basle gas cloud

A cloud of strong-smelling gas escaped from a Ciba-Geigy plant near Basle and floated over the city in the third chemical accident to hit this area of Switzerland in as many weeks. Residents were warned to keep doors and windows shut. Page 3

Silence over MI6

British Cabinet Secretary Sir Robert Armstrong refused to admit to an Australian court the existence of the British MI6 intelligence service. The New South Wales Supreme Court went into secret session to hear other evidence he gave. Page 5

Manila funeral

More than 100,000 mourners attended the funeral of a murdered trade union leader in Manila. Switzerland declared former Philippines President Ferdinand Marcos and 12 members of his family and entourage personae non grata. Page 5

Machel crash inquiry

Seven South African aviation experts arrived in Moscow for talks with Soviet officials on decoding a flight recorder from the airliner in which President Samora Machel of Mozambique was killed.

UN car bombing

A car bomb exploded at an United Nations peacekeeping post south of Tyre in southern Lebanon, killing three Fijian soldiers and two Lebanese civilians.

Iran refinery shut

One of Iran's two largest active refineries, at Isfahan, was shut down a week ago, apparently because of an Iraqi air raid, according to oil sources in the Gulf.

Goldmine 'sabotage'

Two underground fires at a goldmine south-west of Johannesburg appeared to have been caused by sabotage, causing millions of dollars worth of damage, Goldfields of South Africa said. Page 5

Syrian faces charge

The Second Secretary at the Syrian Embassy in Turkey, Mohamed Darwiche Baladi, is to be charged with involvement in the murder of a Jordanian diplomat, chief Ankara state security court prosecutor Nusret Demiral said. Baladi will be one of nine defendants, he added.

Valetta talks

Italian Foreign Minister Giulio Andreotti began talks in Valetta with his Libyan counterpart Kamal Mansour in an attempt to improve relations between the two countries.

Wall St stocks in strong advance

WALL STREET stocks advanced across a broad front as buyers reasserted dominance after the recent bout of nervousness. At the close of trading the Dow Jones Industrial average was 34.04 higher at 1,860.66. Page 50

VOLVO, Swedish automotive, energy and food group, incurred s fall of 17 per cent in third-quarter earnings for 1986. The weaker US dollar and rising car development costs were blamed. Page 29.

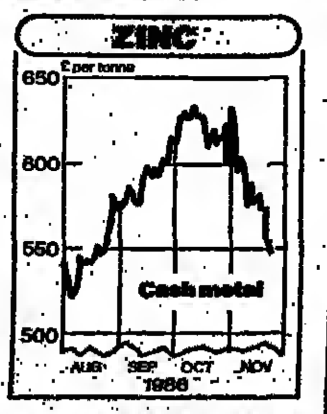
DOLLAR closed in New York at DM 2.0125; SFr 1.6730; FFr 6.5855 and Y162.95. It rose in London to DM 2.008 (DM 2.0075) and Y162.75 (Y162.40). It was unchanged at FFr 6.5750 and fell to SFr 1.6700 (SFr 1.6705). On Bank of England figures the dollar's exchange rate index rose to 111.0 from 110.9. Page 43

STERLING closed in New York at $1.4145. It fell in London to $1.4110 ($1.4180). It also fell to DM 2.8325 (DM 2.8475); Y229.50 (Y230.25); SFr 2.3550 (SFr 2.3675), and FFr 9.2775 (FFr 9.3225). Page 43

WALL STREET: The Dow Jones industrial average closed 34.03 up at 1,860.66. Page 50

GOLD fell $4 to $389.25 on the London bullion market. It also fell in Zurich to $389.55 Page 42

In New York the Comex December settlement was $391.7.



ZINC prices continued under pressure, partly reflecting news that a US producer had cut its list price for the metal. The cash price on the London Metal Exchange ended £6 down at £546.50 a tonne, a three-month low. Page 42

TOKYO: Prices firmed amid growing demand for issues with a strong business performance. The Nikkei average rose 20.75 to close at 17,304.56. Page 50

LONDON: A rally in government bonds, Wall Street's firm start and some good corporate results helped share prices stabilise. The FT-SE 100 index closed 6.47 higher at 1,610.47 and the FT Ordinary index ended 1 up at 1,259.8. Page 50

ST LOUIS BOUCHON, second largest French sugar producer, reached the halfway mark in its friendly takeover bid for Lesieur, cooking oil producer. Page 29

CANADA imposed curbs oo foreign bidders as part of new conditions for the privatisatioa of Teleglobe Canada, state international telecommunications company. Page 30

COFIDE, master holding company of Italy's Carlo De Benedetti, acquired 77.4 per cent of Fondo Professionale, big Italian unit trust group with L1,100bn ($792m) of funds. Page 29

SPAIN will invest more than $1bn a year in its railways until the end of the century if government plans are approved by the Cabinet. Page 2

ASHER EDELMAN, New York investor, renewed his $37-a-share hostile bid for Lucky Stores on identical terms to the offer he withdrew last month. Page 29

NAVISTAR INTERNATIONAL, US heavy trucks group, reported a net profit of $2m this year after making a loss of $364m in 1985. Page 29

GRANADA, UK television, bingo and motorway services group, is investing more than £10.6m ($14.8m) with French furniture retailer Levitan in the French television, video and home entertainments market. Page 28

Goldsmith nets $90m in Goodyear share buy-back

BY WILLIAM HALL IN NEW YORK

SIR JAMES GOLDSMITH, the Anglo-French financier, yesterday dropped his $5.3bn bid for Goodyear, the world's biggest tyre manufacturer and agreed to sell his 11.5 per cent Goodyear stake back to the company. This transaction has earned his investor group a profit of more than $90m.

The deal with Sir James is part of a controversial $2.6bn scheme under which Goodyear will buy back 52.5m of its shares, or close to half its equity, in a desperate bid to remain independent.

The arrangement caused consternation among many institutional shareholders yesterday and was immediately branded as one of the biggest examples of greenmail, where one shareholder is treated differently from the rest of the shareholders, in a takeover bid.

In terms of size, Sir James' greenmail ranks second only in size to Texaco's $1.3bn buy-back of a 9.9 per cent stake in the company in 1984 from the Bass Brothers, one of the wealthiest families in Texas.

The Goodyear Tire & Rubber board of directors yesterday announced that it had unanimously approved a series of transactions intended to enhance "both near-term and long-term shareholder values."

As part of the programme, Goodyear has acquired from General Oriental (Bermuda 1) and General Oriental (Delaware 1) – the two limited partnerships organised by Sir James Goldsmith to invest in Goodyear – all of their 12.5m Goodyear shares at $49.50 per share. Goodyear has also reimbursed certain expenses and agreed to indemnify such entities against certain claims. The selling entities agreed not to acquire Goodyear stock for five years.

In addition, Goodyear announced that a tender offer for an additional 40m shares at $50 per share cash had been authorised. The company said it would proceed with its previously announced restructuring plan which is scheduled to include the disposal of Goodyear's Celeron, aerospace and motor wheel units, the implementation of early retirement programmes and wide-ranging cuts in expenses.

Mr Robert Mercer, Goodyear's 62-year-old chief executive, said yesterday: "We believe the programme adopted today establishes a sound basis to obtain for our shareholders the benefits of immediate realisation of value as well as the opportunity to obtain significant long-term values."

"The unwelcome situatioo with which the company was confronted presented a range of very difficult choices for the company. We are confident that the course selected by the board will result in enhanced overall value for our shareholders through a strong and independent Goodyear."

Yesterday's announcement from Goodyear follows weeks of mounting speculation about the future of one of the best known companies in the US and is bound to escalate the controversy about the role of so-called corporate raiders, like Sir James Goldsmith, in the current wave of restructurings now sweeping corporate America.

Sir James and his investor group, which included Britain's Hanson Trust, had offered to make a $49 per share cash tender offer for Goodyear. Sir James said yesterday that the intended offer was fully financed but that it had been twice rebuffed by Goodyear which wanted to proceed with its own restructuring plans.

Sir James said yesterday that his decision to sell his stake back to the company had been influenced by proposed legislation in the State of Ohio that would permit Ohio companies, such as Goodyear, to purchase shares from their shareholders and issue securities on a discriminatory basis.

Wall Street reacted negatively to the news of the share buy-back

BTR launches hostile takeover for Pilkington

BY MARTIN DIXON IN LONDON

BTR, the acquisitive industrial conglomerate, yesterday launched its biggest ever takeover bid with a £1.16bn ($1.62bn) hostile offer for Pilkington Brothers, the world's leading manufacturer of flat and safety glass. Pilkington immediately rejected the bid, which it said had "no industrial, commercial or financial merit."

The battle has the makings of a classic clash of corporate cultures between a diversified conglomerate with a formidable reputation as a master of the takeover, and one of Britain's oldest manufacturing companies, which has always stuck to the glass industry it knows.

The announcement followed weeks of market speculation that BTR was planning to bid, which has driven Pilkington's share price up sharply. The London Stock Exchange said last night that price movements like this would be the subject of routine inquiry, but it was too early to say whether a special investigation would be mounted into the Pilkington case.

BTR disclosed that it had built up a 2.8 per cent stake in its target, through an associate's share-buying, which began on September 4. Immediately before that date Pilkington's shares stood at 428p. Yesterday's news sent them soaring again, to close at 611p, up 61p on the day and far above BTR's offer. On the basis of last night's BTR price of 291p, down 3p, the bid is worth 544p a share.

Stockbrokers' analysts said the offer was clearly just a sighting shot, which would have to be raised well over 600p a share to stand any chance of success.

Under the leadership of Sir Owen Green, chief executive since 1967, BTR has grown from humble origins in the industrial rubber business into one of Britain's biggest companies with a market capitalisation of £4.9bn and pre-tax profits last year of £362m on sales of £3.9bn.

Along the route it has swallowed up fellow conglomerate Thomas Tilling, the subject of a ferocious £700m takeover battle in 1983, and Dunlop Holdings, the rubber products group, which it acquired for £101m last year.

BTR has no significant interests in the glass industry, and a takeover of Pilkington, which had pre-tax profits last year of £106m on sales of £1.3bn, would significantly alter BTR's shape, with some 25 per cent of turnover coming from glass.

Sir Owen said yesterday that the Tilling and Dunlop acquisitions showed BTR could introduce substantial companies of world stature into its operating structure and improve their performance significantly.

Pilkington, he said, fitted in with its growth strategy, since much of its glass business served the construction industry, which was already a major market for several BTR companies. Other Pilkington businesses served markets well known to BTR, such as transportation and health care.

The two groups also had major overseas businesses in the US, Europe and Australia, he added. BTR was convinced that Pilkington had not changed rapidly or far enough

British and Commonwealth offers to pay £673m for Exco

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITISH & Commonwealth shipping, the diversified group, headed by Mr John Gunn yesterday announced a surprise £673m ($955.6m) bid for Exco, the large London-based money broking company which he founded and ran until last year.

Exco has agreed to the offer, and by last night B&C claimed to control more than 50 per cent of the shares, pre-empting any potential counter-offer.

Mr Gunn said the deal had been assembled in less than a week. Morgan Grenfell, the UK merchant banking group, confirmed that it had been preparing to bid for Exco itself but said it had been unable to agree terms with Exco's major shareholders.

B&C is offering Exco shareholders a package of shares and convertible loan stock which it says places a value of 287p on each Exco share. There is a cash alternative of 265p. After being suspended for most of the morning, Exco's shares gained 37p to close at 268p on the London Stock Exchange.

B&C has obtained irrevocable acceptances from Exco's two major shareholders, Tan Sri Khoo Teck Puat, the Malaysian businessman who holds 29.4 per cent of the company, and First City Financial, the Canadian banking group controlled by the Belzberg family which has 10 per cent. B&C had acquired about 12 per cent of the shares by last night through its investment bank, Barclays de Zoete Wedd.

The bid coincided with an announcement by the Malaysian government that the National Bank of Brunei, which is controlled by Tan Sri Khoo, had been seized and that two executives of the bank, one of them Tan Sri Khoo's son, had been detained by police. It was not clear last night whether this had affected his negotiating position.

B&C will be buying all of Exco except its stockbroking business which will be sold off to Banque Indosuez of France for a minimum of £36m.

Mr Bill Matthews, Exco's chief executive and Mr Richard Davey, the finance director, will resign when the bid is completed. Mr Gunn

Continued on Page 28

Subpoena served on Jefferies in Boesky inquiry

By Our Financial and Foreign Staff

A CALIFORNIA brokerage firm renowned for assembling blocks of shares in corporate takeover targets yesterday confirmed that it had been subpoenaed by authorities investigating the biggest ever Wall Street insider trading scandal. But the firm strongly denied any wrongdoing.

Mr Boyd Jefferies, president of Los Angeles based Jefferies and Company, which specialises in trading shares off the New York market, issued the denial after continued speculation about the firm's links with Mr Ivan Boesky, the Wall Street arbitrageur who has become the key figure in the scandal.

The move follows the resignation late on Wednesday of Mr Michael Singer, a former senior vice president at Jefferies, from Salomon Brothers, the New York investment bank, after receiving a subpoena in the Boesky affair.

Salomon Brothers said that the subpeona served on Mr Singer, a vice president of the investment bank, related to activities which occured before he joined Salomon. Mr Singer was recruited from Jefferies six weeks ago.

Mr Singer said his resignation was by "mutual agreement" with Salomon, where he worked in the department raising high yield, low investment grade "junk bonds," of the type used to finance many of the takeovers in which Mr Boesky was a key player.

Jefferies trades in the so-called third market and acquires large blocks of shares in takeover target companies before the launching of a bid which may then be offered to a potential buyer or back to the target itself.

In a terse statement, Mr Jefferies said that he never traded or passed on inside information, and neither did Jefferies and Company.

He confirmed that the company had received subpoenas from the Securities and Exchange Commission (SEC) the US market watchdog agency and the US Attorney. This following a deal between Mr Boesky and the authorities under which he agreed to co-operate with their investigations and to pay a $100m penalty.

Mr Jefferies said that this firm had received subpoenas from the SEC in the past and had co-operated fully. "We will continue to do so in this matter," he said.

Meanwhile in London the board of the Cambrian and General Securities investment trust, is due to

Continued on Page 28

SEC probe rocks Drexel, Page 32

Reagan faces major test of credibility

BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN yesterday faced growing calls for a review of foreign policy decision-making in the White House after be failed in a televised press conference on Wednesday to persuade Americans that arms were not traded with Iran in exchange for hostages in Lebanon.

The calls, which came as Congress today opens investigations into the secret US arms shipments to Iran, are widely interpreted as pressure for a top-level resignation. They were made by supporters and critics of the President, but are so far being resisted by the White House.

Senator Sam Nunn, the influential Democrat from Georgia, yesterday said Mr Reagan should appoint a special panel to review the way the White House National Security Council conducted the Iran and other recent covert operations.

Mr Nunn, one of several leading senators dissatisfied by the President's explanations during a faltering performance before the US press on Wednesday night, said: "The credibility of our nation is at stake."

Senator Richard Lugar, the usually loyal Republican who heads the foreign relations committee, said: "I suspect that the President does not understand the law with regard to informing Congress on these things."

The Senate and House intelligence committees are to question Mr William Casey, head of the Central Intelligence Agency, in private sessions today. They are expected to focus on the legality of the Iran operation and US involvement with third-party shipments, widely recognised as being led by Israel.

The continuing controversy surrounding the Iranian affair is being described in Washington as the biggest test of the President's credibility since he took office in 1981.

Speculation about the imminent resignation of one of Mr Reagan's senior foreign policy advisers has momentarily abated. Experienced observers on Capitol Hill argue that the furore still leaves either Mr George Shultz, US Secretary of State, or vice-admiral John Poindexter, the national security adviser, dangerously exposed.

President Reagan admitted on Wednesday night that the arms shipments had split his senior advisers. But he stressed that he wanted Mr Shultz, who opposed the final decision, to stay as Secretary of State.

● President Reagan has suffered his largest fall ever in the public's approval of his handling of foreign affairs, according to a poll conducted early this week, AP reports from New York.

Those questioned overwhelmingly expressed unhappiness with Mr Reagan's decision to sell arms to Iran.

Paris halts crude oil from Moscow

BY PAUL BETTS IN PARIS

THE FRENCH government has halted temporarily all crude oil and refined products imports from the Soviet Union, to protest against France's increasing trade imbalance with Moscow.

Mr Michel Noir, the French trade minister due to visit Moscow on Saturday, confirmed yesterday that France had decided to reduce its Soviet oil imports. Mr Noir declined to give any detail of the new restrictions but oil industry officials claim that imports have been completely halted because the government had reduced its quota for the last quarter of this year – and that quota had already been filled.

The government move on Soviet oil imports was widely criticised by industry. While the decision is likely to have an impact on French oil refiners and importers, it is unlikely to have any repercussions for Moscow.

The French oil industry suggested yesterday that Moscow would have no difficulty in finding other customers for its crude and oil products on account of the competitive price of its oil. "We are now likely to see the Soviet products find their way back into France via Holland or West Germany," one French oil industry official said yesterday.

French crude imports from the Soviet Union totalled 3.4m tonnes for the first nine months of this year. France additionally imported 2.8m tonnes of oil products from Moscow during the same period. Last year crude oil imports totalled 5.5m with an additional 3m tonnes of oil products.

Continued on Page 28

CONTENTS

EUROPEAN NEWS

Spain plans $1bn a year investment to update railways

BY DAVID WHITE IN MADRID

PLANS FOR spending more than $1bn (£700m) a year on Spain's railways between now and the end of the century are due to be submitted for Cabinet approval.

The project drawn up by the Transport Ministry and the heavily loss-making state rail network, RENFE, is aimed at providing a "high-speed and high quality" service in line with "the best in Europe" and at increasing passenger and freight custom by 60 per cent.

Mr Abel Caballero, Minister of Transport, Tourism and Communications, said the plan, involving total spending of Pta 2,092bn (£10.8bn), would be "the most important railway investment this century."

The Government, he said, had opted for the maximum investment it could afford in order to break away from the country's traditional, slow and ill-reputed rail system. However, Spain had decided against changing its wide-gauge track to conform with the continental European norm.

Focusing on the introduction of 200 km-an-hour sections on the busiest inter-city routes and on bypassing tortuous mountain passes, the plan follows cutbacks on low-traffic sections of the network.

A third of the proposed investment—Pta 693bn—would be borne directly by the Government, destined principally for new sections of line, the doubling of current tracks and improvements in the Madrid, Barcelona and Bilbao suburban systems. The main items in the remaining Pta 1,399bn coming from Renfe would be new rolling stock and other equipment, renovation of track, safety measures and promotion of freight services.

The biggest project of all is a new route south from Madrid to Andalucia which is expected to lop more than three hours off the travelling time between the capital and Seville, currently between seven and nine hours.

Renfe would have responsibility over the whole programme, subject to its periodic contracts with the Government. This year it is completing a three-year contract which at the outset envisaged government support of Pta 706bn and a 26 per cent reduction in Renfe's annual deficit to Pta 128bn. However, Renfe's losses are now running at around Pta 200bn a year.

Turkish economic growth exceeds expectations

BY DAVID BARCHARD IN ANKARA

THE TURKISH economy is continuing to grow faster than expected according to a report published yesterday by the State Institute of Statistics.

Gross National Product grew by 7.9 per cent in the nine months ending in September, compared to 5.1 per cent in the same period last year. Most of the growth came from the manufacturing sector which grew by 10.5 per cent and agriculture which grew by 7.2 per cent, after the best harvest for several years.

Though this is the strongest performance by the Turkish economy for more than a decade, the increase appears to have come largely from domestic demand as exports are below last year's levels after setbacks in Turkey's Middle Eastern markets.

On the advice of the International Monetary Fund, the government has lowered its target for GNP growth next year to 5 per cent. Bringing inflation down below the 25 per cent mark and handling Turkey's external debt payments, expected to reach $5.1bn (£3.6bn) or about 10 per cent of GNP next year, are the main goals. With the current account deficit for the first eight months of the year at $1.2bn, nearly three times last year's levels, bankers are monitoring the foreign exchange situation very closely.

State of Emergency lifted

● Just under eight years since martial-law was proclaimed in Ankara in December 1978, the Turkish capital has finally returned to normal civilian administration with the lifting of state of emergency regulations.

LAW TO ALLOW LIMITED PRIVATE SECTOR MAY DIRECTLY AFFECT 2M TO 3M PEOPLE

Moscow invites moonlighters to come in from the cold

BY PATRICK COCKBURN IN MOSCOW

BY THE END of next year, 2m or 3m people should have started to take advantage of a Soviet law allowing them to hold a second job in the private sector, Mr Ivan Gladky, chairman of the State committee for Labour and Social Issues, said this week, after the legislation was passed by the Supreme Soviet, the Soviet parliament.

Eventually, the number may be far larger. Soviet social scientists estimate that between 17m and 20m people out of a total labour force of 129m people participate in the secondary economy in the Soviet Union, though this is invariably in addition to another full-time job.

The new law names 29 different types of individual labour which will be legal. This includes everything from private taxis to house repair and mending fishing rods, but the list is not exhaustive and may be added to by local authorities.

Those who currently supplement their earnings by part-time jobs and individual labour are most usually in food production or services. Demand for both has risen sharply over the past 25 years, as money incomes have outstripped the production of consumer goods and the Government has held the price of basic foods unchanged since 1962.

"Try to get your flat repaired," Mr Mikhail Gorbachev challenged an audience in Leningrad soon after he became leader. "You will definitely have to find a moonlighter to do it for you — and he will have to steal the materials from a building site."

The concentration of state investment on industrial development, neglect of the consumer sector, and the imbalance between prices and rising incomes have all encouraged the growth of a massive secondary economy. Soviet specialists estimate that in cities private handymen repair 50 per cent of all shoes, 45 per cent of all apartments, 40 per cent of cars and 30 per cent of all large household appliances.

In the countryside, where services are worse, the figure rises to 90 per cent.

Given that there are 80m apartments and 15m cars in the Soviet Union, this is very big business. The size of the secondary economy is also underlined by surveys of family expenditure showing that a third of all spending is in the secondary economy, not including the high priced peasant food market.

The aim of the new law, which comes into effect from May 1 next year, is to distinguish between individuals who work and businessmen who employ others. The latter remains strictly forbidden and is never likely to be countenanced by the Communist Party on the grounds that this really would allow capitalism to get a foot in the door.

What will be the impact of the new law? The full text has not yet been published, but it will have three big effects:

● It will legalise a large part of the secondary economy, primarily but not wholly in the service sector. It will enable the high incomes sometimes earned by individual craftsmen to be taxed.

In the republic of Latvia on the Baltic, for instance, half the money on deposit in the banks is held by 3 per cent of depositors, the average account of this top layer being 20,000 roubles (£20,000).

● The private sector will expand and become better organised. Mr Gladky says there is nothing in the legislation to stop somebody opening a cafe. Local Soviets or councils have been granted the power to decide who will be able to hold an individual job, but this will vary in different Soviet republics.

There is a vast difference, depending largely on tradition, on the extent of the service sector, which is larger in the Baltic or Black Sea areas than in the central Russian cities, where it is limited.

● The legalisation of a large part of the secondary economy is being accompanied by a crackdown on the black market and on corruption. In certain sectors of the economy, such as food retailing, corruption had become all-pervasive by 1982, when the present clampdown started. State inspectors, who carried out test purchases of goods from shops throughout Moscow on one day in that year, found they were cheated in 156 out of 182 cases.

The law immediately raises the question of whether the general pattern of state control of the Soviet economy is altering. While the change is likely to be important in raising the Soviet standard of living and the availability of consumer services, there is no evidence that it will alter the economic and social balance of power in the country.

Even a much wider measure of free enterprise would not have the impact that such reforms have had in China because two-thirds of Soviet citizens live and work in cities, in contrast to China, where most of the population are peasants relying on individual or family labour.

Warning to Opposition in Portugal

By Peter Wise in Lisbon

PORTUGAL'S Conservative Prime Minister, Mr Anibal Cavaco Silva, marked a year of government yesterday with a stern warning to Opposition parties that to topple his minority Administration would be their own downfall.

The Prime Minister, assembling his entire Cabinet for a news conference only a few hours before a key vote in Parliament on the 1987 budget, said the Opposition would be severely judged at the polls if it dared to challenge the Government on its present record.

He referred in his speech to sharp improvements over the past year in inflation, investment, real earnings, welfare benefits and the trade balance.

But he accused Opposition parties of hindering progress by defeating or revising several key government bills and of tying down others in committee.

The main Socialist opposition party announced it would vote against the budget shortly after the Prime Minister's statement.

The budget aims at continuing the moderate expansion of the past year, with economic growth set at 4 per cent.

Leaders of Nasa and ESA attempt to solve problems

Disquiet over space station plan

Peter Marsh in London examines why progress has been slow on a $12bn joint project of the American and European space agencies together with Canada and Japan. Some officials feel the US is treating Western Europe as a junior member of the team rather than as an equal partner. There is even talk of Europe developing a plan to build a manned orbiting platform that is independent of the US.

THE LEADERS of the West European and US space agencies are meeting in Washington today in an effort to unravel serious difficulties arising from the two organisations' plans for co-operation on an international space station.

Prof Reimar Luest, director general of the 11-nation European Space Agency, is to discuss the matter with Dr James Fletcher, administrator of the US National Aeronautics and Space Administration.

Prof Luest said the US desire to have the final say on operating the space station was blocking negotiations on collaboration. Without rapid progress, said Prof Luest, "it does not make much sense to talk about a partnership."

Following an invitation nearly three years ago by President Ronald Reagan, the European agency, together with Canada and Japan, is holding detailed talks with Nasa and the US State Department on the role other countries could play in the orbiting base.

The station – due to cost about $12bn, with $8bn coming from Nasa and the rest from the other nations – is due to be in service in the mid 1990s.

With a crew of eight, it would house workshops for scientific experiments, in low-gravity materials processing for example, and act as a base for the repair of satellites.

Under the original schedule, the US and the Paris-based ESA had been due to reach agreement by the end of this year on which elements of hardware the two sides would contribute to the station, together with the principles by which the base would be run. This would allow full-scale development to start next summer.

According to Prof Luest, progress has been "less than satisfactory." The main stumbling block, he said, was the insistence by the US that it would have the right to veto decisions by the Europeans over operating their part of the base. This is planned to be a laboratory module called Columbus, which (like a similar workshop which Japan is due to provide) would plug into the US core of the station.

"They (Nasa) say that most decisions over operations will be by consensus in a committee," said Prof Luest. "But if a consensus cannot be reached, the chairman will have the final say – and he will always be American."

Prof Luest's views express the intense disquiet felt by space officials in Europe that the US is treating Western Europe as a junior member of the team devising the space station, rather than as an equal partner.

With the US's own manned space programme in disarray as a result of the Challenger shuttle disaster in January, it is felt that Europe – with a vigorous space programme of its own – could make a significant contribution to the orbiting base.

If the US did not concede to the Europeans' views, said Prof Luest, Western Europe could push on with a plan to build a manned orbiting platform that was independent of the US.

Other points regarding the space station on which agreement is needed include:

● Legal rights to commercialising inventions on board the station. The US, according to ESA, argues that US law should apply to subjects such as patent rights. The European agency says a new international legal framework should be set up to cover the uncharted area of working in space.

● The rights of non-US vehicles to carry people and materials to and from the station.

Western Europe wants the US to agree that the other nations in the venture have a fundamental right to use their own manned carrier vehicles.

The US is hedging on this point, arguing that Nasa's space shuttle fleet should be the principal transport craft.

● Operating costs. How these costs – which could run to several billion dollars a year – are to be shared out between the participating countries is still undecided.

● Experimental hardware. The participants in the venture have yet to decide on which types of hardware – such as furnaces for growing crystals or equipment to produce drugs under low gravity – to instal in each area of the station. Agreement on this is needed to avoid duplication.

Finnish group wins order from Soviets

By Sara Webb in Stockholm

OUTOKUMPU, the Finnish state-owned mining and metals company, has won an order worth FM 150m ($30m) from the Soviet Union to supply engineering equipment for an apatite plant near Kirovsk, in the Kola Peninsula.

Over the next three years, Outokumpu will provide flotation machines, pumps, advanced automation systems for plant control, and the necessary electrification for a new section of the plant in order to increase its capacity.

Outokumpu has already sold test units to the Soviet Union worth about FM 1m in the hope of securing a bigger order for engineering equipment.

● Ericsson, the Swedish telecommunications and electronics group, is to supply six Axe digital switches to US West, one of seven regional Bell operating companies, for networks at Mountain Bell, North Western Bell and Pacific North West Bell.

The six Axe switches will be used as signal transfer points between telephone central offices and centrally located data bases, rather than for subscribers, and should allow US West to provide new services for its customers.

EUROPEAN NEWS

FDP doubts may hold up W German anti-terror law

BY PETER BRUCE IN BONN

AN EFFORT by the West German Government to rush through o package of new laws to fight terrorism before Christmas is rapidly coming apart, and has set off serious political infighting among the parties in Chancellor Helmut Kohl's coalition.

The row is likely to reach o peak today in Mainz where tha liberal Free Democrats (FDP), junior partners in the coalition, seem poised to renege on their earlier support of e bill which would offer terrorists their freedom if they give evidence against their accomplices.

Mr Franz Josef Strauss, the leader of the Christian Social Union (CSU), the Bavorian sistor party to Mr Kohl's Christian Democrats, has warned that any watering down of tha measure would mean abandoning the entire six point package and he claims this is Mr Kohl's view as well. He attacked the FDP for "constantly introducing unrest and insecurity into the coalition."

The Cobinet agreed on the measures at the end of last month after terrorists had gunned down a senior Foreign Ministry official near his home in Bonn. But the prospect of murderers being left unpunished has since then generated e revolt in the FDP parliamentary party and in the regions and has forced the party leader, Mr Martin Bangemann, the Economics Minister, to look for e compromise.

Bangemann: grim prospects

Ha was strengthened somewhat by the overwhelming hostility to tha measure by experts callod to appraise it before e parliamentary committee last Friday, but the CDU and CSU have set their minds on the law and have refused to he turned from it.

The FDP executive plans, nevertheless, to put proposals today to the party — at its last conference before the general election on January 25 — which would involve offering terrorists. wanting to give themselves up and testify—lighter punishments. But with both Mr Strauss end leading CDU officials insisting that anything less than a promise of total freedom is useless, the legislation would seem to have little chance of surviving.

Mr Bangemann will be fortunate, in fact, if the conference does not find his compromise too soft. Whatever the case, be faces— very close to an election—the grim prospect of coming under ettack from the leadership of the bigger parties he is in coalition with. Mr Strauss never passes on opportunity anyway to rubbish the FDP, which teeters constantly very close to the 5 per cent vote share needed to get into the Bundestag.

It was because of its poor showing in the Bavarian state election in mid-October, io fact, that the FDP leadership agreed to support the anti-terror package in the first place. The belief then was that blocking anti-terror lawa was not a vote winner and this same visioo will be on the FDP leadership's collective mind as it is forced by the party to continue doing so.

This is quite clearly part of Mr Strauso'o thinking when he says the FDP compromise would wreck the entire package.

Basle hit by further chemical pollution

By John Wicks in Zurich

THE BASLE chemical industry caused more pollution yesterday, when a cloud of smoke escaped from a Ciba-Geigy resins plant at Schweizerhalle.

This follows the disastrous Sandoz fire of November 1, also in Schweizerhalle, and that only a few hours after an accident at Ciba-Geigy's Basle plant which released quantities of the pesticide Atrazine into the Rhine.

The latest incident took place in the early hours of yesterday morning, when o reaction got out of hand at a pilot plant of Ciba-Geigy's plastics and additives division.

A 500-kilo batch of Araldit resin heated up to such an extent that fumes containing phenol and small amounts of organic bromine escaped from the retort and the building.

The smoke emission was brought under control within aboot 40 minntes but led to a penetrating smell and individual cases of eye irritation in parts of the greater Basle area. The authorities and the company have stressed that the emission presented no danger to public health.

Move a blow for Moscow's foreign trade

BY PATRICK COCKBURN IN MOSCOW

THE decision by France to halt crude oil imports from the Soviet Union is serious news for Moscow at a time when its export revenues have already dropped because of the fall in the price of oil which provides 60 per cent of Soviet hard currency earnings.

In the third quarter of the year the Soviet Union appears to have cut its imports from the West by as much as one third because of its reduced exports.

The Soviet trade position is badly affected because of the terms of trade turning against it. Most of its exports are commodities such as oil, gas and gold denominated in dollars while its imports come mainly from West Germany, France and Italy whose currencies are appreciating against the dollar.

The problem for the Soviet Union is that it is impossible for it to switch its imports to other suppliers because West Germany, France and Italy are also its main customers for oil and gas.

The only good news in recent months for Soviet foreign trade is that e good harvest means that Soviet food imports should be much smaller than usual this year. Moscow has also taken advantage of the price of gold by increasing its gold exports.

Bankers say that there has been an increase in short term borrowing to finance trade by Moscow but diplomats believe that it will not want, for political reasons, to make up for its lost oil revenues by increased bank borrowing. They say that Soviet reaction is more likely to be simply to cut imports and rely more on Eastern Europe.

Italy and Libya meet to restore relations

BY GODFREY GRIMA IN VALETTA

ITALIAN Foreign Minister Giulio Andreotti last night began talks with his Libyan counterpart, Mr Kemal Mansour, in Valetta in an attempt to restore relations between the two countries strained in the wake of the US bombings of Tripoli and Benghazi in April.

The meeting was promoted by Maltese Prime Minister Dr Carmelo Mifsud Bonnici who yesterday paid e whirlwind visit to the Libyan Leader Colonel Muammar Gadaffi in Tripoli. Col Gadaffi apparently turned down suggestions of o meeting with the Italian Prime Minister, Mr Bettino Craxi, who arrived in Malta today to sign e five-year economic co-operation accord with Mr Bonnici reported to be worth $138m to Malta.

Libyan diplomatic sources in Valletta emphasised that Mr Mansour's meeting with Mr Andreotti would deal predominantly with bilateral issues. It was being suggested, however, that Libya was also seeking Italy's aid in trying to end its standoff with the US. The departure of American oil companies from Libya earlier this year, an element of the dispute with the Reagan Administration, daily threatens seriously to disrupt the Libyan economy.

Prospects of Italy intervening on Libya's behalf with Washington were described as minimal by diplomatic sources. Italy, which has trimmed the corps of Libyan diplomats in Rome and issued marching orders to a number of state-backed Libyan companies in Italy, is still seeking guarantees that Gadaffi will not back international terrorism in future.

Computer companies to launch X/Open drive

BY LAURA RAUN IN AMSTERDAM

X/OPEN, the group of 10 leading computer and communications companies promoting Unix-based computer standards, is launching an ambitious campaign to gain wider acceptance of its specifications in o market still dominated by International Business Machines (IBM).

The first of o series of "portability centres" will be opened near London early in 1987 to promote X/Open standards among software companies by offering them a facility where compatibility with various computer brands can be developed and tested.

Portability centres are also planned for the US, where o promotional campaign will be launched in January with the aim of encouraging users such as the US Government and corporate giants such as Boeing and General Motors to use X/Open standards.

The new initiatives were announced yesterday at o press conference in Amsterdam.

X/Open was established in 1984 by five of Europe's major information technology companies – ICL, Nixdorf, Siemens, Bull and Olivetti – to agree on standards for computer-operating systems and software.

Unix, which is a set of standards developed by American Telephone & Telegraph (AT&T), was adopted as a starting point for X/Open's specifications and complemented with new standards as they have emerged.

Last year, Philips and Ericsson joined X/Open, followed by DEC, Hewlett-Packard and Unisys this year. The members have a combined annual turnover of more than $30bn.

French likely to ratify Single European Act

BY PAUL BETTS IN PARIS

THE French National Assembly was last night expected to ratify the Single European Act despite opposition to the text from some hardline Gaullist figures including Mr Michel Dehre, a former prime minister under Gen de Gaulle.

Mr Jacques Chirac, the conservative Prime Minister, appears to have managed to appease oponents of the ratification of the text in his own neo-Gaullist RPR party.

The Government was expected to count on the majority of votes of the right as well as the votes of the Socialist Party, most of whose members ara strong supporters of the text.

The Comunists were expected to fail in their efforts to try to hlock the debate.

Mr Denis Bandouin, the Prime Minister's official spokesman, said yesterday that Mr Chirac attached "great importance" to the text.

The Prime Minister was due to address the National Assemhly yesterday during the debate in which former President Valéry Glscard d'Estaing was expected to make a strong call for the strengthening of European unity.

However, the reaction of Mr Michel Dehre and other hardline Gaullists, who claim that the Act pnts at risk French national sovereignty, were awaited with interest.

Bnt Mr Bandouin indicated yesterday before the debate in the National Assemhly that Mr Chirac had discussed the matter with a large number of deputies.

"We understand that certain personalities may feel reticent bot it should not go beyond that," aded the Prime Minister's spokesman.

The divisions insida the RPR over the Act have proved embarrassing for Mr Chirac. The text was originally due to be put before parliament last month but had to be delayed because of the opposition to its ratification in the RPR.

The Act is designed essentially to set up a more unified internal market in the European Community between now and 1992.

Mr Chirac has managed to overcome the internal RPR hurdle on the Act, bnt is now facing some divisions in his right-wing majority over the Government's decision to launch a programme to build private prisons to ease chronic overcrowding in the French prison system.

Several right-wing deputies have expressed concern over the prison scheme which has been opposed hy President Francois Mitterrand and the Socialists.

Italy to implement capital market directive in full

BY JOHN WYLES IN ROME

THE Italian Government intends to implement fully the important EEC directive liberalising capital movements adopted in Brussels this week.

Italy regards itself as only half a step behind the other leeding Community aconomies on the exchange control front and a Treasury spokesman sought yesterday to remove any doubts that Rome would come into line on the new measures.

EEC Finance Ministers ogreed on Monday a directive which comes into force next February obliging member states to lift exchange controls on long-term trade credits, on the buying and selling of unlisted securities, and on unit trusts and other mutual funds.

Italy's most important outstanding exchange control is the requirement on purchasers of foreign securitiea to deposit 15 per cent of their valna in e non-interest bearing account with the Bank of Italy.

This is to he lifted at the end of next year under an agreement with Brussels, although Mr Giovanni Goria, the Treasury Minister, has heen hinting that it may be scrapped earlier.

Port of Genoa looks set to end years of losses

BY ALAN FRIEDMAN IN GENOA

THE Genoa Port Authority, the stote body which manages the port which was once the pride of Italy, looks set to emerge from years of crisis with a return to profit forecast for 1987 and an increase in both traditional and container traffic.

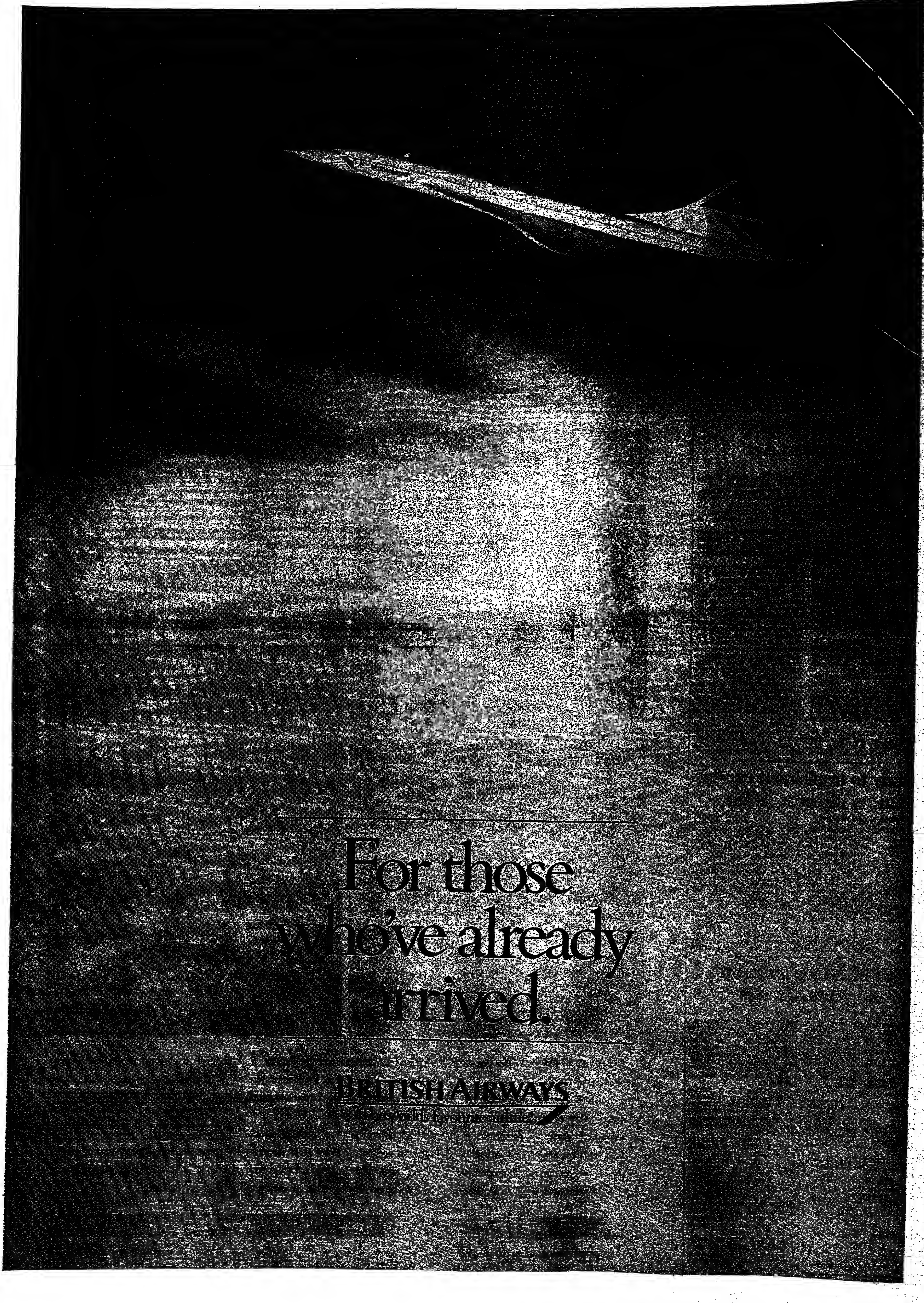
Mr Roberto d'Alessandro, tha port authority's chairman who was band-picked by Prime Minister Bettino Craxi to save tha troubled enterprise, announced yesterday in Genoa that next year would see a tiny L645m (£324,000) net profit, which follows losses which betwean 1983 and 1986 totalled L153.9bn. Losses for this year have been reduced by 51 per cent to L29.3bn.

Mr d'Alessandro, a former marketing manager at Zanussi, Pirelli and Fiet, has embarked npon an ambitious reorganisation of the Genoa port since he was appointed chairman in Fobruary of 1984.

Tha reorganisation has included creeting II new opereting companies which have partly privatised the troubled port, reducing the workforce from 3,247 in 1983 to around 1,000 at the start of next year and investing L577bn in new cootainor terminals, road and railway links, modernisation of general cargo and ferry facilities, e computerised information system and a new airport terminal at Genoa.

Mr d'Alessandro said traffic et the Genoa port had increased by 36 per cent since he took over 30 months ago as chairman.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.


For those
who've already
arrived.
BRITISH AIRWAYS

Andrew Whitley looks at the reasons behind Israel's involvement with Tehran

Worry over Iran Jews inspires arms link

"IF A very friendly nation turns to us with certain requests in order to help it free hostages, we will help it, one way or another," Mr Yitzhak Rabin, Israel's Defence Minister, commented last week.

Mr Moshe Arens, a Minister without Portfolio and close aide to Prime Minister Yitzhak Shamir, without confirming the degre of Israeli involvement in the secret shipments of US arms to Iran, has asserted to general surprise that it was important to establish links

Official denials over arms sales notwithstanding, a picture is emerging of Israel, one of Iran's closest allies during the Shah's long reign ending in January 1979, maintaining over the subsequent eight years highly discreet, indirect links with its now sworn enemy.

These making the ties appear to have included a handful of Iranian exiles on good working terms with the Khomeini regime, together with some of the former occupants of the anonymous, closely guarded building in downtown Tehran which used to go under the misleading title of the Israeli Trade Mission.

Israel's rationale for contacts of any sort with a regime unequivocally pledged to its destruction is two-fold. First there are strategic considerations, based on the (untested) belief that in the long run Arab Iraq is a more dangerous enemy to Israel than Persian Iran.

If, in the meantime, Israeli analysts have always said, the two countries continue to inflict damage on each other in the six-year old Gulf war, all well and good. And if Ayatollah Khomeini were to be succeeded soon by a more pragmatic laedership, Israel would probebly be one of the main regional beneficiaries.

The other constant in Israeli policy towards Iran has been that country's relatively large, and once prosperous Jewish community. More than 80,000 strong at the time of the revolution, the number of Jews remaining in Iran is put today at between 25,000 and 30,000.

Speaking privately, Israeli officials says their condition, like that of other Iranian minorities, is "very delicate." But while individuala may bave suffered, recent Western Press repons alleging wbolesale persecntion of the community ore believed to be considerably exaggerated.

Israelis of Iranian origin who keep in close touch with their former homeland say that over the past six to 12 monthe conditions have worsened, though not dramatically. New travel restrictions, for example, have been introduced on Jews, who come directly under the control of the Ministry of Security.

Whole families are not allowed to travel abroad together while those who can get out are required to leave substantial financial guarantees of their return behind, often in the form of property. A red seal on the passport of Iranian Jews specifically forbids them to travel to "occupied Palestine."

What is most galling, however, for Israeli officials is that despite all their efforts, few Iranian Jews have chosen to settle in Israel permanently.

Of the 55,000 who have emigrated from Iran since 1978, less than a third havs come to Israel. Of those 15,000 to 18,000 who have tried out life in the promised land, only balf have stayed. The rest have gone on to join established Iranian communities in West Germany, the US, Britain and France.

A new secret exodus may, bowever, now be starting, and it is in this context that the renewed supply of arms and munitions from Israel to Iran could be seen.

It is reasonably well established that between 1980 and earlier this month, when a Danish freighter carried 460 tons of munitions from Eilat to the Iranian port of Bandar Abbas, an intermittent stream of war materials has, directly or indirectly, moved between the two countries. Mr Menahem Meron, a former top Defence Ministry official, admitted as much in 1982.

At times undertaken with the tacit blessing of the US, at times in defiance of Washington'e wishes, the secret flow of weaponry — never in very substantial quantities — seems to hove been moved by much the same route that was used in the other direction during the Shah's time. Despite frequent denials, Iran had always been Israel's major supplier of crude oil.

What made this "devil's pact" donbly convenient is that both countries employ many of the same US-made weapons, such as F-4 Phantoms and TOW anti-tank missiles. Israel always maintains large stocks of spares for its own purposes.

Along the way there have been the inevitable casualties. Among the publicly known are the three different groups of Israelis and American Zionists currently fecing trial in the US on charges of illegally attempting to smuggle weaponry worth billions of dollars to Iran.

Disowned by the Israeli Government, following President Ronald Reagan's dramatic television admission of last week about his secret dealings with the Islamic republic, the jailed men are now beginning to shout.

Mr Guriel Eisenberg, an Israeli businessman, who says he believed the deal be and 16 others were involved in had been approved at the highest level of the Reagan Administration, has called Vice President George Bush and other too White House officials to testify in his defence. If they were to comply, the results could be highly embarrassing.

Israeli Prime Minister Yitzhak Shamir (left) yesterday refused to comment on a White House statement on Wednesday that a third country had been involved in the shipment of US-made weapons to Iran. It was not Israeli policy to divulge details of arms sales, he said, but that he would be "glad" if US-Iranian relations were improved. Stating flatly that Israeli policy was not to sell arms to Iran, he nevertheless left open the possibilities that Israel may have turned a blind eye to on-going transactions.

Armstrong refuses to admit MI6 exists

SIR ROBERT ARMSTRONG, the Cabinet Secretary, refused yesterday to admit the existence of the British espionage service MI6, Reuter reports from Sydney.

Sir Robert was questioned in the New South Wales Supreme Court, which is hearing Britain'e application to ban the publication of the memoirs of Mr Peter Wright, a former MI5 agent.

The court went into secret session after Sir Robert refused to answer other questions

Mr Wright, 71, who now lives in Tasmania, was on the personal staff of Sir Michael Hanley, MI5 director from 1973-76.

Much of the questioning in the hearing yesterday and Wednesday related to books on the British secret service, including Chapman Pincher's Their Trade is Treachery.

Mr Wright's counsel, Mr Malcolm Turnbull, asked Sir Robert if Sir Arthur Franks had been a confidant of Mr Pincher and if Sir Arthur had headed MI6 from 1978 to 1982.

Sir Robert said he believed the two bad met from time to time but he declined to confirm Sir Arthur's position.

Mr Theo Sims, counsel for the British Government, said Sir Bobert should not be the first high-ranking government officiel publicly to confirm the existence of MI6.

The bearing continues.

Karmal relieved of all remaining posts

AFGHAN President Babrak Karmal was yesterday relieved of all government and ruling party offices, according to an Afghanistan Radio report monitored by agencies in Islamabad last night.

His resignation appeared to complete the process of removing him from power that began earlier this year when he was removed as secretary-general of the Communist Party. No successor was named

The political demise of Mr Karmal, who came to power in December 1979 after Soviet troops intervened in the country, follows signs that the Soviet Union was unhappy et bis government's failure to defeat the Moslem guerrillas.

The broadcast said Mr Karmal was relieved of his offices at his own request at a meeting of the Bevolutionary Council in Kabul, the Afghan capital. He was replaced as secretary-general — and ruler in effect of the country — last May by former secret police chief Najibullah, bead of the pro-Moscow faction of the Afghan party.

At that time, diplomats said Karmal may have retained some support in the party since he was not stripped of all bis offices and retained the office of President, the nominal head of state.

Mr Karmal has for some time been reported by diplomats to be in poor health.

The wording of the broadcast, which said that an application had been submitted, seemed to suggest that Mr Karmal was not present at the meeting. The Politburo, consisting of about a dozen members, is the highest body of the ruling party.

Filipinos mourn unionist

MORE THAN 100,000 mourners joined the funeral march of a murdered trade union chief yesterday, Reuter reports from Manila.

Communist leaders threatened to halt ceasefire talks unless President Carazon Aquino proved she controlled the military.

All day and well into the night, thousands of Filipinos wound their way through the streets of Manila to mourn leftish leader Mr Ronaldo Olalia in a demonstration that brought the army out to defend the presidential palace.

Abont 12 bours after a funeral mass was offered by 27 Roman Catholic priests, Mr Olalia's mutilated body had still not been laid to rest and the chances appeared slim of a ceasefire soon to halt the 17-year-old communist insurgency.

Management blames arsonists for blaze at S African gold mine

BY ANTHONY ROBINSON IN JOHANNESBURG

Firemen yesterday fought all day to put out a deep underground fire at Kloof, South Africa's richest gold mine, where managers blamed arsonists for the blaze. Kloof is owned by Gold Fields of South Africa.

Kloof, 50 miles west of Johannesburg, was one of several Gold Fields mines affected by wildcat strikes last month in support of a union wage claim. Since then the National Union of Mineworkers has declared a formal dispute. Yesterday it appealed to the industrial court for a ruling on the company's refusal to allow facilities for a strike ballot at four of the company's seven gold mines, including Kloof.

The company said the fire, which started on Wednesday night, was the second this week. The first was detected by a fire patrol on Monday night 1.7 miles below ground. After the fire had been put out clear evidence of arson was found. Igniter cord had been inserted into two timber packs and ignited.

Senior mine officials worked special shifts to prevent further arson attempts but smoke was again detected on Wednesday night. The fire was estimated to be four times stronger than the first. The area was sealed off and the exact cause and location is still not known.

About 900 of the day shift complement of 8,500 miners were deployed in other areas of the mine yesterday as sections of the mine were sealed off to smother the blaze. Management estimated a 20 per cent loss of production from the mine which normally produces bullion worth around R2m (£625,000) a day.

In the July/September quarter Kloof milled 540,000 tonnes of ore with an average grade of 14 grammes per tonne to give 7,560 kgs of fine gold which produced a working profit before tax of R169m.

Relations between black miners and the company, which is controlled by London-based Consolidated Gold Fields, have been tense since Gold Fields of South Africa refused to raise pay increases ranging from 15 per cent to 20 per cent offered in this year's wage contract. GFSA declined to join the other four mining groups in a further round of wage bargaining. This led to a final agreement for workers employed by the others of between 19.5 per cent and 23.5 per cent.

Last month 40,000 miners at the Doornfontein, Deelkraal and Kloof Mines of the Gold Fields group went on strike and the union later accused the company of using rubber bullets and tear gas against strikers.

Other union activists were arrested by company security forces for alleged intimidation of workers at two other Gold Fields mines, East and West Driefontein.

Anthony Robinson on a radical idea from BP

Cape Town bitterness prompts non-racial development plan

BETWEEN the BP tower block close to Cape Town Harbour and the spectacular bulk of Table Mountain is a large weed-covered space dotted with church spires and the minarets of mosques. This is "District Six," an area which has become a symbol of apartheid's social engineering et its worst.

In the early 1960's, bulldozers broke down tbe bomes and destroyed wbet wes once e vibrant, albeit run-down community of over 60,000 mainly Coloured (mixed race) people. The man wbose name is most closely linked to that decision ie President P. W. Botha, then tha minister in charge of Coloured affairs.

To this day Mr Botha defends the destruction of District Six as a humanitarian ect of slum elearance which freed tenants from exploitation by landlords and gave them the chance of a healthier life in the new, but distant suburbs. Similar high sounding explanations were given by the Government nearly 20 years later when half the Crossroads squatter camp 25 km from Cape Town was torn down last May.

Earlier this week Mr Timo Bezuidenhout, wbo for the past seven years has been responsible for government bleck and colonred bousing policies in the Western Cape, resigned after whet he described as "years of hell" administering government influx control and other policies which be privately argued and lobbied against.

The bitterness caused by the policies which lad to the destruction of District Six and Crossroads welled to the surface last year when Cape Town became one of the main focal centres of unrest. Many whites feel sheme end regret that Cape Town lost much of its zest and vitality when the old established coloured community was blitzed and banished to the far suburbs.

So deep are the scars that all attempts to re-build District Six as an upmarket white housing area with a smaller new Coloured estate have been frustrated. All that has been built on this prime site is a motorway and a new technical high school on the fringes of the weedstrewn wasteland.

Last week Mr Ian Simms, chairman of BP South Africa, one of the most important British companies in the country, offered to take the lead in organising and contributing to a private sector, non-profit making corporation to re-build District Six as South Africa's first non-racial residential and business area.

Writing in the company's biennial social raport released at the weekend, Mr Simms also proposed that BP, again in co-operation with other private companies, should foster multi-racial education providing financial assistance so that state schools, currently radically eegregated by law, could become private, mixed race schools.

It is one of the great ironies of South Africa that private multi-racial schools, ettended by children of high income whites and blacks, enjoy the greatest prestige. For an increasing number of affluent and better-educated whites, the "Christian-national" education provided by the state in schools which not only separate white from black bnt also English from Afrikaans speakers (at least in the Transvaal) is seen not only as divisive but also as culturally limiting.

At a time when the exodus of US companies like GM, IBM and Coca Cola from South Africa is increasing the vulnerability of other foreign-owned companies to anti-apartheid lobbies, BP's proposal stresses the virtues of positive engagement rather than disinvestment.

The Government's initial response to BP's proposals was a curt reminder from Mr Chris Heunis, the Minister for Constitutional Development, that mixed living areas were not Government policy. BP found the low key reaction encouraging from a Government which, while anxious to keep foreign companies in South Africa and stressing its desire for Government - business co-operation, stubbornly defends its monopoly on broad decision making.

Next week the President's Council, the top-level policy advisory body, is due to discuss a report into the workings of the Group Areas Act, whicb together with the Population Registration Act, forms one of the bedrocks of racially segregated residential areas and schools.

The abolition of these laws, as demanded by BP and many other foreign and domestic companies and business organisations, is not on the cards.

Despite Government promises in February 1985 that it would no longer push ahead with forced removals for ideological reasons, they are still taking place, only barely disguised.

Oukasie, a long-established black township on the fringe of the white Transvaal town of Brits is currently being demolished in a piecemeal fashion to satisfy pledges of removal given to the white electorate.

Despite these reminders that the Government's actions do not alweys match up to its words, the Group Areas report is expected to recommend greater flexibility, and particularly to recognise the de facto existence of mixed "grey areas" which already exist in the inner suburbs of the major cities.

What BP has done by throwing its hat in the ring over District Six is to highlight the need for an internationally recognised new approach to the question of future urban development.

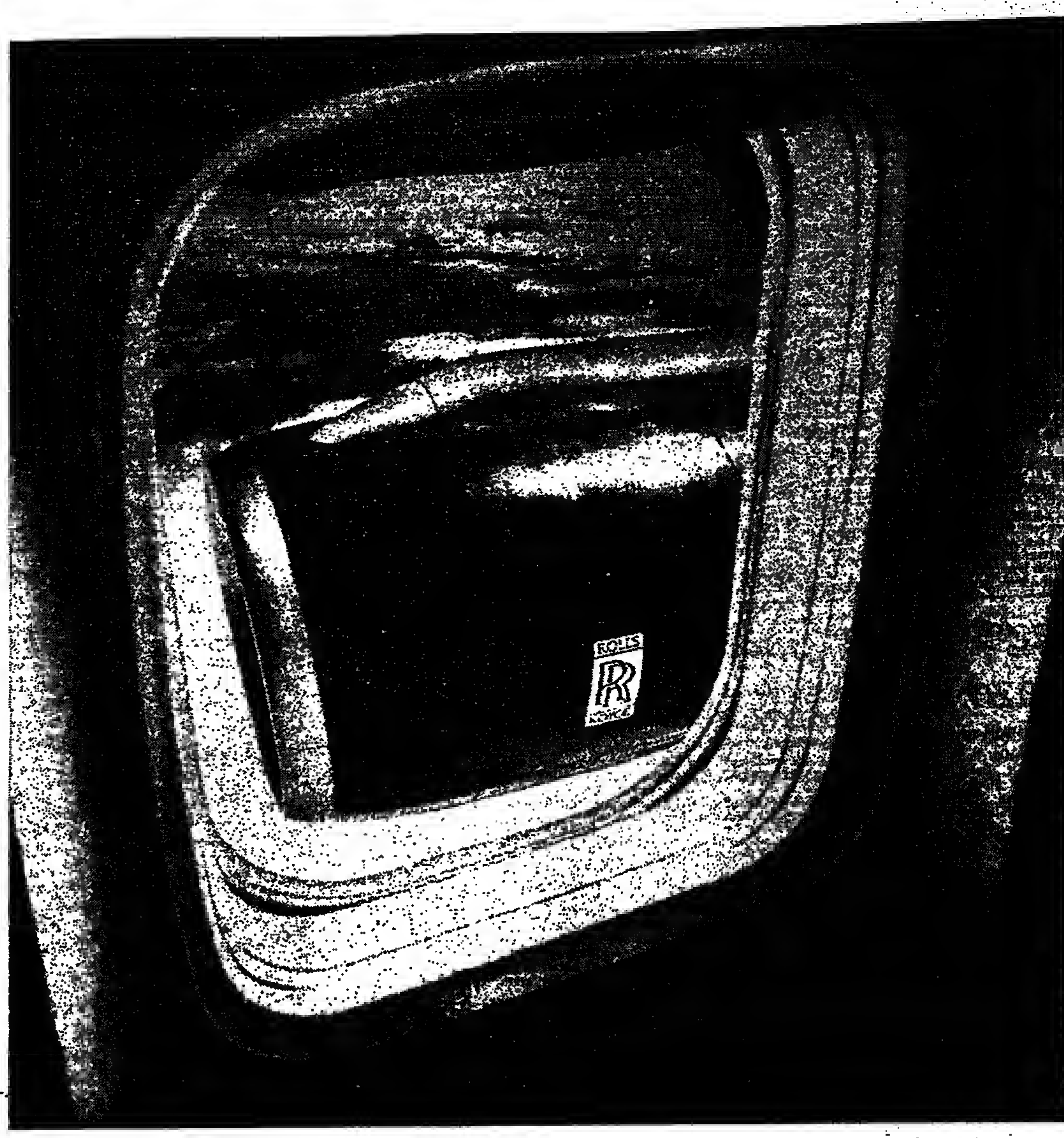
BP has joined its voice to those who argue that the redevelopment of District Six as an open, non-racial development would signify the acceptance of free choice without disturbing those for whom segregation is deeply linked to their personal, political and cultural survival.

The question now is whether BP's open advocacy of a non-racial District Six will be seized of underlining the positive contribution of multinationals to reform in South Africa or rejected as unwarranted interference

With elections in the omng, the odds are still on the latter, in the short run at least.

AUSTRALIA would stop issuing visitor and temporary entry visas within South Africa from today, Immigration Minister, Mr Chris Hurford said. Intending visitors would have to epply for visas outside South Africa. Australian offices in South Africa would continue to handle applications for permanent residence, Reuter reports from Canberra.

REASSURING, ISN'T IT.



It seems that many people are reassured by the sight of our name on the engine casing.

It isn't entirely rational.

All engines supplied for airliners are reliable.

But somehow the Rolls-Royce tradition of care and craftsmanship has built an image in people's minds.

A feeling of unsurpassed excellence has surrounded our name since we started making aero-engines for the Bristol Fighter in 1916.

The Rolls-Royce Merlin engine made the Spitfire an outstanding fighter in the Second World War.

And today over half of the aero-engines we make are for military aircraft.

More than 110 of the world's fighting forces use our engines.

The vertical take-off Harrier uses the Pegasus, the only engine of its type in service.

Our civil aero-engines provide the power for aircraft operated by over 270 airlines worldwide.

These include Concorde, with its Anglo-French Olympus engines, and Boeing's 747 Jumbo Jet and the new 757 which shuttles back and forth day in day out between London and Edinburgh and Glasgow.

We also make a fair number of engines that never get airborne.

Nearly a tenth of our sales consist of gas turbine products for electricity generating stations, ships and pumping stations such as those on Siberian and trans-Alaskan pipelines.

Last year our products generated record total sales of £1.6 billion which yielded pre-tax profits of £81 million.

So next time you fasten your seat belt and glance out of the window and see our name you'll know why you feel so reassured.

In the meantime, here's a reminder of what to look for.

ROLLS
RR
ROYCE®

Brussels seeks to boost Latin American trade

BY QUENTIN PEEL IN BRUSSELS

A PLAN to revive and extend the links between the EEC and Latin America, boosting trade, investment, aid, economic co-operation and even political ties, has been presented by the European Commission to the 12 Community member-states.

The aim would be to boost trade relations, after a dramatic slump in EEC exports to almost 40 per cent between 1980 and 1985, and try to promote greater European investment and lending to help Latin American nations overcome their debt crisis.

Mr Claude Cheysson

Mr Claude Cheysson, the European Commissioner responsible, unveiled the plan yesterday with a plea for the member-states to re-establish lines of export credit to countries in the region, in spite of their indebtedness, and to encourage more direct investment.

He insisted that it was not a European initiative to counter-balance US influence in Latin America—although he admitted that many Latin American countries wanted closer ties with the Community for that reason.

The plan approved by the 17-man Commission this week does not contain any specific budget for promoting closer ties, but simply a range of "realistic measures" for the member-states to take.

They include:

● Trade promotion to diversify the range of goods and services involved;
● Support for joint investment committee, the creation of data banks, and co-operation between chambers of commerce;
● Closer co-ordination of aid programmes with other sources of finance, concentrated on the poorest nations;
● Support for regional integration, particularly harmonising industrial standards and help in telecommunications links;
● Extending rules of origin requirements to regional groupings rather than individual countries;
● Re-establishing export credit to countries "which have adopted satisfactory (economic) adjustment programmes."

Mr Cheysson described it as "an intolerable contradiction" that some European countries paid lip-service to promoting trade relations, but refused to give Latin American countries export credit cover because of their indebtedness.

EEC exports to the region have fallen faster in recent years than those from either the US or Japan, which were down 25 per cent and 11 per cent respectively.

Mr Cheysson pointed out that European direct investment in the region was actually higher than that of the US in recent years, totalling $1.2bn (£833m) in South America and $1.6bn in Central America in 1984 and 1985, against actual US disinvestment from South America and investment of only $1.2bn in Central America.

However, he rejected the approach of the European Parliament, which has sought to insist that EEC aid outside Africa, the Caribbean and Pacific, should in future be divided equally between Latin America and Asia, in spite of the vastly differing populations.

Miti finds chip prices lower outside US

By Ian Rodger in Tokyo

JAPAN'S Ministry of Trade and Industry (Miti) confirmed yesterday thet prices of Japanese semiconductors were lower in third country markets than in the US.

US semiconductor producers claim that Japanese producers have been undermining last July's semiconductor agreement between Japan and the US by dumping chips in third country markets. The US producers want Miti to identify and punish companies said to be involved.

A Miti official said thet while the ministry has learned of a few cases of "very low" chip prices in third markets, this did not necessarily mean that the agreement was being broken.

The agreement did not say anything about third markets, but Miti had volunteered to monitor the activity of Jepanese companies in them, he added. That monitoring process was being carried out on a quarterly basis, so the first results would only be available at the end of this month.

Miti recognised, however, that it was important to keep to the spirit, and not just the letter, of the agreement so it had been investigating sales data, and had found some examples of low prices being offered by Japanese producers in third markets.

It had beard that US producers were also selling in these markets at very low prices "so it is very difficult to establish who started the process."

If a clear case of a Japanese company acting contrary to tha spirit of the agreement was uncovered, Miti would ask it to desist.

As for sanctions, the official said there were not many kinds available, short of the removal of the export licence, which would be "too drastic."

Duke calls for more attention to Indian trade

By John Elliott in New Delhi

BRITISH BUSINESSMEN were urged yesterday by the Duke of Kent, vice-chairman of the British Overseas Trade Board, to "pay more attention" to trade and investment prospects in India. The Duke indicated that he felt British industry was slipping behind foreign competition on trade and collaborations.

He was speaking before a private lunch with Mr Rajiv Gandhi, tha Indian Prime Minister.

The UK has been replaced as India's largest trading and new industrial collaborations partner by countries such as the US and Japan.

The Duke said: "Businessmen should pay more attention to the prospects. There is a feeling that India is a difficult market, and the message of the liberalisation of policies here has not yet got fully across abroad."

The Duke's visit and the invitation to lunch with Mr Gandhi are specially significant when Indo-British relations are at their lowest point for many years.

The UK's exports to India totalled £895m last year, and the Duke said that £1bn were expected this year. India's exports to the UK were only £432m last year.

Battle builds up for aero-engine markets

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE DECISION by Rolls-Royce and General Electric of the US to end their revenue-sharing agreement on jet engine development represents a bid to resolve what had become an untenable situation.

For competition between them on one type of engine had begun to jeopardise collaboration on another, a classic situation in which the competitive requirements of marketing clashed with an excellent technical and production position.

That the competitive marketing requirements won the day highlights the fact that the battle for world markets in the civil aero-engine industry, even among collaborators, is intensifying.

The overall world market for civil aero-engines up to the end of this century is estimated to be worth about £70bn. It is estimated by Rolls-Royce that one-third of this will be spent on "big thrust" turbofan jet engines for wide-bodied jets such as Boeing 747 Jumbo jets, and large tri-jets of the projected McDonnell Douglas MD-11 type. The larger types of twin-engined jets, such as Airbus A-310s and the prospective Airbus A-330, would also use such engines.

It has become common in the aero-engine industry for major companies to collaborate on some types of engine, while competing on others. Examples include the partnership between GE and Snecma of France to build the CFM-56 series of engines for such airliners as the Boeing 737-300 and Airbus A-320.

> ❛Competition between Rolls-Royce and General Electric on one type of engine had begun to jeopardise collaboration on another — a classic situation in which competitive requirements of marketing clashed with an excellent technical and production position❜

Competing with that engine is the International Aero-Engines V-2500, a group comprising Rolls-Royce, Pratt & Whitney and West German, Italian and Japanese engine companies.

The Rolls-Royce/GE pact now terminated was first set up in 1984, to enable each company to get a share in the expanding markets for two specific types engines. GE was building the CF6-80C2, a big engine capable of about 60,000 lb thrust for Boeing 747s and Airbus A-310s.

Rolls-Royce had a rival engine, the RB-211-524, which at that time did not match the thrust output of the 80C2. It seemed sensible for Rolls-Royce to link with GE on the 80C2.

At the same time, Rolls-Royce was doing well with a smaller version of the RB-211, the 535E4 of about 40,100 lb thrust, in the twin-engine Boeing 757 medium-range airliner. GE had nothing to offer in that market, but it srival, Pratt & Whitney, was offering the PW-2037.

Thus it was sensible for GE, in return for a share of the 535E4 engine, to give Rolls a share of the 80C2. The two engines were complementary, not competitive, aimed at different markets.

Initially, the pact allowed each company to have up to 15 per cent of the development and production of the other's engine, rising eventually, if business looked good, to 25 per cent or even more. But one event this past summer highlighted a flaw in the agreement.

Rolls-Royce had gone ahead with development of its own "big thrust" version of the RB-211, the 524, et first with what it called the 545D "upgrade" engine, which won considerable success in world morkets against the GE 80C2, and then with a further development, the 524D4D of about 58,000 lb thrust but with better fuel consumption.

As a result, Rolls-Royce won the big order from British Airways in August to fit the 524D4D engine on 16 Boeing 747-400 Jumbo jets that airline is buying, with an option on another 12 aircraft.

CE had been fighting for the same contract. Its anger at losing it stemmed from its belief that, although the 524D4D was not specifically included in the pact with Rolls-Royce, the latter had a moral, if not a legal, obligation to stand aside and let the 80C2 win.

CE is reported to have offered Rolls-Royce up to 30 per cent of the work on the 80C2 if that engine had been chosen by BA for its Jumbos. Rolls-Royce disputed that interpretation of the agreement. It claimed that it had the right to continue developing the 524D4D as it chose, and to fight for orders world-wide in competition with the 80C2.

Despite the excellent technical relationships between the two companies, managerial relations became strained.

Both companies have not recognised that the "increasing overlap and competition" between the 524D4D and the 80C2 have reached a point where the pact on the 80C2 and 534E4 is no longer workable. GE believes that Rolls-Royce, under the pact, is not only getting a share of the 80C2, but also another share of the same market with its competitive 524D4D.

Neither Rolls-Royce nor CE will say who initiated the break, but it was clear as recently as the Farnborough show that, despite efforts to paper over the cracks, the pact was in jeopardy, and that it was probably only e matter of time before it was terminated.

Nevertheless, the possibility of some continuing partnership between the two companies is not ruled out.

European vans set for record

BY JOHN GRIFFITHS

EUROPEAN production of light vans, those derived from cars, is on course to reach a record of more than 600,000 units this year, according to the Automotive Industry Data (AID) statistics group.

Its report* shows that for the first time in three years the European industry appears not to be handing sales to Japanese importers by failing to increase output to match rising market demand.

In 1984, only 400,000 light vans were produced by the European industry, while the European market stood at 550,000 units—"little wonder that the resulting vacuum was readily filled by eager exporters in far-away Japan," says AID.

The statistics show the Europeans to have been wrong-footed again last year. The market climbed sharply once more, to 660,000 units, but the European output of 530,000 units allowed Japanese imports to achieve a further 30.8 per cent sales increase.

In the first eight months of this year, bowever, European production has climbed a further 16.6 per cent.

Tha sharpest production increase has taken place in Spain, where it rose by 41.3 per cent in the first eight months compared with the 1985 period.

The levels of demand in Europe are such that Ceneral Motors is preparing to launch a van version of the Opel Corsa/Vauxhall Nova, according to AID.

* *AID Newsletter, Automotive Industry Data, 34 St John Street, Lichfield, Staffs, England WS13 6PB. £220 or $375 a year.*

Japanese car exports 'to rise slightly next year'

BY ANDREW BAXTER IN TOKYO

JAPANESE car exports will rise sligbtly in 1987 following a projected 2 per cent decline this year, according to the Industrial Bank of Japan.

The bank expects exports to rise from 6.71m units this year to 6.77m, which would still lag behind the record 6.85m units achieved in 1985. Worldwide demand will recover next year, according to the forecast, while higher oil prices will lift exports to the Middle East.

Economic problems in China and in the Middle East were given as the main reasons for sluggishness of Japanese exports this year, rather than the 40 per cent appreciation of the yen.

Other favourable developments for next year include eost-cutting measures by the Japanese car groups, which hava been pushed through more quickly than expected, and effective sales promotion in the domestic market, particularly by Toyota.

NTT urges tougher sales stance by Europeans

BY WILLIAM DAWKINS IN BRUSSELS

NIPPON Telegraph and Telephone (NTT), Japan's largest communications group, yesterday criticised European suppliers for not being tough enough in promoting themselves overseas.

That view came from Mr Haruo Yamaguchi, NTT's senior vice president, speaking after a seminar in Brussels for nearly 200 European companies, in which tha group outlined to sceptical delegates its strategy of seeking to buy more foreign equipment.

Mr Yamaguchi, responding to allegations that NTT's overtures might not be entirely sincere, admitted: "Our figures for European purchases are not very big yet, but that is not because we are not enthusiastic.

"It is because of European companies' lack of an aggressive approach to selling to NTT."

NTT last year bought a mere Y17bn (£7.3m) worth of equipment in Europe, ten times more than in 1981, but an insignificant slice of its Y497bn world procurement bill.

Mr Yamaguchi said that although he was keen in principle to trade more with European companies, progress would be slow. That was because NTT wanted to concentrate on forming research and development joint ventures to ensure product compatibility, rather than pushing into straight equipment purchases.

Undismayed by widespread suspicions of Japan's unwillingness to open its telecommunications market to foreign suppliers, Mr Yamaguchi emphasises: "We feel no commitment to buy from European companies. We are a private firm so we are only willing to buy on a commercial basis."

But he added that NTT was particularly interested in seeking suppliers for its planned introduction of an integrated services digital network (ISDN), which will radically upgrade existing telephone lines and in which European companies have a lead.

Lionel Barber in Washington reports on efforts to gloss over the budget deficit

The political comeback of Rosy Scenario

ROSY SCENARIO is about to make her political comeback. The White House code-word, first used in February, 1981, when President Ronald Reagan's supply side economics were supposed to produce a balanced budget by 1984, has reappeared to gloss over the problem which will not go eway: the federal budget deficit.

This week, the Reagan Administration forecast that the deficit for fiscal year 1987, will beginning on October 1, will be around $163bn down from this year's record $220bn. "I will bet even money that it will not be more than $170bn," says Mr Ed Dale, chief spokesman for the Office of Management and Budget.

On Wall Street, economists predict eomething nearer $180bn, with some tilting towards $200bn. The difference between the Administration'e optimism and the market's scepticism is as stark as ever—the deficit meanwhile continues to leave the US with inadequate domestic savings to finance federal Government spending and economic growth.

The forecasts come at a critical point. President Reagan is preparing a budget for fiscal year 1988, whila Congress is doing its own sums. The shadow-boxing over spending priorities has begun even before Congress reconvenes in January.

The forecasts also reveal how both sides are seeking room for manoenvre within the deficit targets set out by the budget balancing Gramm-Rudman-Hollings law, the supposed disciplinary framework for the executive and legislature.

There have been plenty of signs in the last fortnight that both Congress and the Administration would like to ditch Gramm-Rudman. After all, the $144bn deficit target for 1987 was technically breached when Congress last month came up with a hudget deficit of $153.9bn, just under the $10bn margin of flexibility allowed, but only after accounting gimmicks and one-off savings.

Such budgethocus leaves no scope for a fall-off in US economic growth. If the Administration's forecast of 4 per cent GNP growth next year does not come true, then the picture changes dramatically for the worse. Next fiscal year the deficit target is $108bn. "That figure," says one Capitol Hill budget watcher, "isfi to say the least, optimistic."

For the past six months, a team at the White House has been working on proposals for budget reform, e new epproach to deficit accounting techniques which critics argue is merely aimed at skirting Gramm-Rudman and masking the true size of the hudget deficit.

Among the options nnder consideration are a switch to a two-year budget to avoid the customary October crunch; the introduction of a capital budget (as opposed to an operating budget) to take better account of federal investment in, say, roads and battleships; and new techniques aimed at measuring the impact of inflation in calculating deficits.

The man behind these ideas is Mr Donald T. Regan, the White House Chief of Staff, who once headed the New York securities house Merrill Lynch. Mr Regan is widely reported to want to bring private sector accounting into the public sector, particularly if the by product is better looking deficit figures.

There is some nrgency behind the budget reform movement. The Congressional budget Office estimates that the deficit in 1988 will be $153hn and the impact of inflation on certain spending, particularly defence, could push the figure up by $10bn.

That means some -35bn in spending would have to be cut to get anywhere near Gramm-Rudman. Congress, not wishing to be blamed for the high deficit, wants an escape route. The problem is that neither the President nor the Democratic Party, which now has a majority in both legislative chambers, see eye to eye on cuts.

Defence spending took a hit in fiscal year 1986 when the racing growth during Mr Reagan's first term slowed at last. This fiscal year, the Pentagon received $289bn, far less than it asked for.

Now the Administration is seeking a 3 per cent rise but is divided on whether it should be 3 per cent above what Congress approved or 3 per cent above what it originally requested. The difference amounts to $10bn.

Other big spending areas such as social security and entitlements such as Medicare are also likely to prove resistant to cuts, even more so now that the Democrats are in control on Capitol Hill.

The question is who makes the first move, the White House or Congress. The Office of Management and Budget, sensing Congress's predicament, remains coy.

The less than rosy scenario is that both the White House and Congress are about to dodge the deficit and violate the spirit of Gramm-Rudman. Neither party, naturally, wants to take the blame.

Donald Regan: behind initiative

Contra rebels 'have begun training in US'

BY LIONEL BARBER IN WASHINGTON

A GROUP of 70 Nicaraguan rebels have started military training in the US, according to one of their leaders.

Mr Adolfo Calero, head of one of the largest guerrilla forces fighting the Sandinista Government in Nicaragua, said the six-week training course had begun on US soil two weeks ago. Further training for the rebels, mainly officers, will follow at other sites, he said.

According to Administration officials quoted in the Washington Post, the site could be a US military reservation or "sites that look similar to military sites but belong to the Central Intelligence Agency."

The disclosure is the first sign that direct US support of the Contra rebels has resumed following approval of an $100m aid programme by Congress. The CIA is in charge of the programme.

The US had sought support from Nicaragua's neighbouring countries — Costa Rica, Honduras and El Salvador — for using their territory for training the rebels.

But all three states voiced opposition saying they did not want to be further sucked into the war. Contras are already heavily ensconsed along the Hondnas-Nicaragua border.

President Reagan said at his news conference on Wednasday night that "we still believe very much" in the Contra cause. But he denied that the rebels were attempting to overthrow the Sandinista Government, saying they only wanted to open a political dialogue.

The bulk of US aid to the Contras — $70m — is in military training and weapons. A further $27m is for food, medical supplies and other non-lethal items.

Mr Calero, who controls an estimated force of about 11,000 rebels, complained about delays in receiving lethal weapons. He said the Contras needed surface-to-air missiles to combat Soviet built helicopters used effectively against the guerrillas.

● Hundreds of Nicaraguan troops have crossed into south-eastern Honduras where anti-Sandinista rebels have base camps, military sources said, Reuters reports from Honduras.

They said reports from Washington that thousands of Nicaraguan troops had moved into Honduras were exaggerated.

Only between 500 and 1,000 are believed to have crossed in the past week into a 450-square mile zone in Honduras' El Paraiso province, a border region that juts into Nicaragua, the sources said.

The newly arrived troops might be planning to attack the Contra rebels, who maintain bases about 12 miles west of Nicaraguan troop positions. Sandinista soldiers have blocked the US-backed rebels infiltrating Nicaragua, military sources said.

Chile and IMF reach agreement

By Mary Helen Spooner in Santiago

GENERAL Augusto Pinochet's regime has reached agreement with the International Monetary Fund (IMF) for its 1987-88 economic programme, providing for a budget deficit of less than 1.7 per cent of gross national product, and an economic growth from 3 to 5 per cent, Chilean officials announced.

Mr Alfonzo Serrano, Central Bank vice president, and Mr Jorge Selume, Budget Director, said the programme presupposes e current eccounts deficit of $1bn next year and $900m in 1988. Chile is seeking $650m in new commercial financing over the next two years, and this week began preliminary talks with creditor hanks in New York.

Chilean officials have tentatively proposed that the new financing comes through a reduction in interest rates and repayment periods of previously contracted foreign credits—not in the form of edditional commercial loans.

Chile is also counting on the continned flow of credits from multilateral lending institutions, and has pending applications for over $800m in loans from the World Bank and the Inter-American Development Bank (IADB).

The US, which holds veto power in the IADB and controls 20 per cent of the voting block in the World Bank, has warned it will oppose or abstain in the voting for such loans to Chile, in protest at the Pinochet regime's human rights record.

The new IMF agreement provides Chilean economic authorities with less leeway than they enjoyed in previous years. The projected budget deficit of 1.7 per cent of gross national product is lower than this year's 2.2 per cent deficit.

The regime's spending programme is based on an average international price for copper, which provides nearly half of Chile's export earnings, of 67 cents per pound; an international oil price of $16 per barrel, plus a Libor interest rate of 6.5 per cent.

The budget's projected copper price, however, is well over the 58.5 cents per pound the metal was commanding on the London Metal Exchange over the past few days.

Haiti's leader 'has no political ambitions'

By Canute James in Miami

THE LEADER of the interim government of Haiti, Lt-Gen Henri Namphy, says he has not changed his commitment to hand over power to an elected president in 15 months and that he has no political ambitions.

Speaking to businessmen attending a Miami trade conference on the Caribbean, Lt-Gen Namphy said that after handing over to an elected government he wanted to become simply a citizen in his own country. The Haitian leader has been in charge of the provisional government since the fall of President Jean-Claude Duvalier in February.

In visiting Miami this week Lt-Gen Namphy becomes the first Haitian head of government in 30 years to have left the country while in office. His visit coincided with new outbreaks of violence in Haiti which has been politically unsettled since President Duvalier was overthrown.

Lt-Gen Namphy has been under attack for including in his administration associates of the Duvalier regime. A strike by bus and lorry drivers crippled commercial life in Haiti this week.

Lt-Gen Namphy said however, that the continuing ferment in the Caribbean island of 5.5m people "indicated the vitality of an emergent democracy and a dynamism caused by a search for human rights."

He is to travel to Washington to meet President Ronald Reagan today and is expected to ask for financial assistance for Haiti.

Brazil set to raise prices of electricity and fuel

THE Brazilian Government is seta to announce measures today making adjustments to its anti-inflation programme, officials said, Reuter reports from Brasilia.

Since the Government's landslide victory in national elections last Saturday, intensive consultations have been held involving President oJse Sarney, his closest financial advisers and the leadership of the ruling Brazilian Democratic Movement Party (PMDB).

Officials said the Government was ready to announce price increases in public utilities such as electricity and gas, motor fuels, cars, tobacco and alcoholic drinks.

The Government introduced its anti-inflation programme, the Cruzado Plan, on February 28.

The plan, a combination of currency reform and price freeze, ended generalised indexing of the economy. It has been a spectacular political success and is seen as the biggest reason for the Government's sweeping electoral victory.

The price freeze cut inflation from more than 200 per cent to much lower levels. According to official figures, prices have risen only 10.25 per cent between March and October. But the price freeze caused widespread shortages throughout much of the economy which have been evident for months.

Officials acknowledge that price changes should have been made before, but were delayed because of the elections.

The national elections, according to partial results, gave the PMDB 21 of the 23 governorships and an absolute majority in the Senate and Chamber of Deputies.

Editorial Comment, Page 26

Strike at GM parts plant threatens US production

GENERAL MOTORS, indefinitely laid-off 16,700 workers in three states starting Thursday and said it might have to shut down its North American assembly operations because of a strike at a parts plant, AP reports from Detroit.

Talks to end the strike at the Delco Electronics plant in Kokomo, Indiana, resumed yesterday.

The 7,700 Delco workers have been on strike since Monday. Delco is e GM subsidiary that makes electronic parts such as radios, heat sensors and on-board computer components.

"If the strike goes on, well, not even too much longer, we will be completely shut down," Mr Roger B. Smith, GM chairman, said yesterday.

If the strike continues until Monday, GM may have to close all but one of its 35 assembly plants in North America, the Detroit News reported yesterday.

Delco parts are shipped to assembly plants on a "just-in-time" basis as they are ordered, so there was little or no inventory when the strike began, company officials said.

The dispute between Delco and United Auto Workers local 292 revolved around the subcontracting of some jobs and transfer of radio production to Mexico, which union officials said could cost the plant 900 jobs.

The strike is the first to test the just-in-time inventory system that US carmakers have been adopting over the last four years and that Japanese producers have used for decades.

The system eliminates costly inventories and puts pressure on suppliers to control quality of their parts, since assembly lines must be shut down if e part is defective.

It also leaves companies vulnerable to small strikes at critical parts plants and can only be successful if management and labour find solutions to disputes other than strikes, industry experts said.

US personal income rises

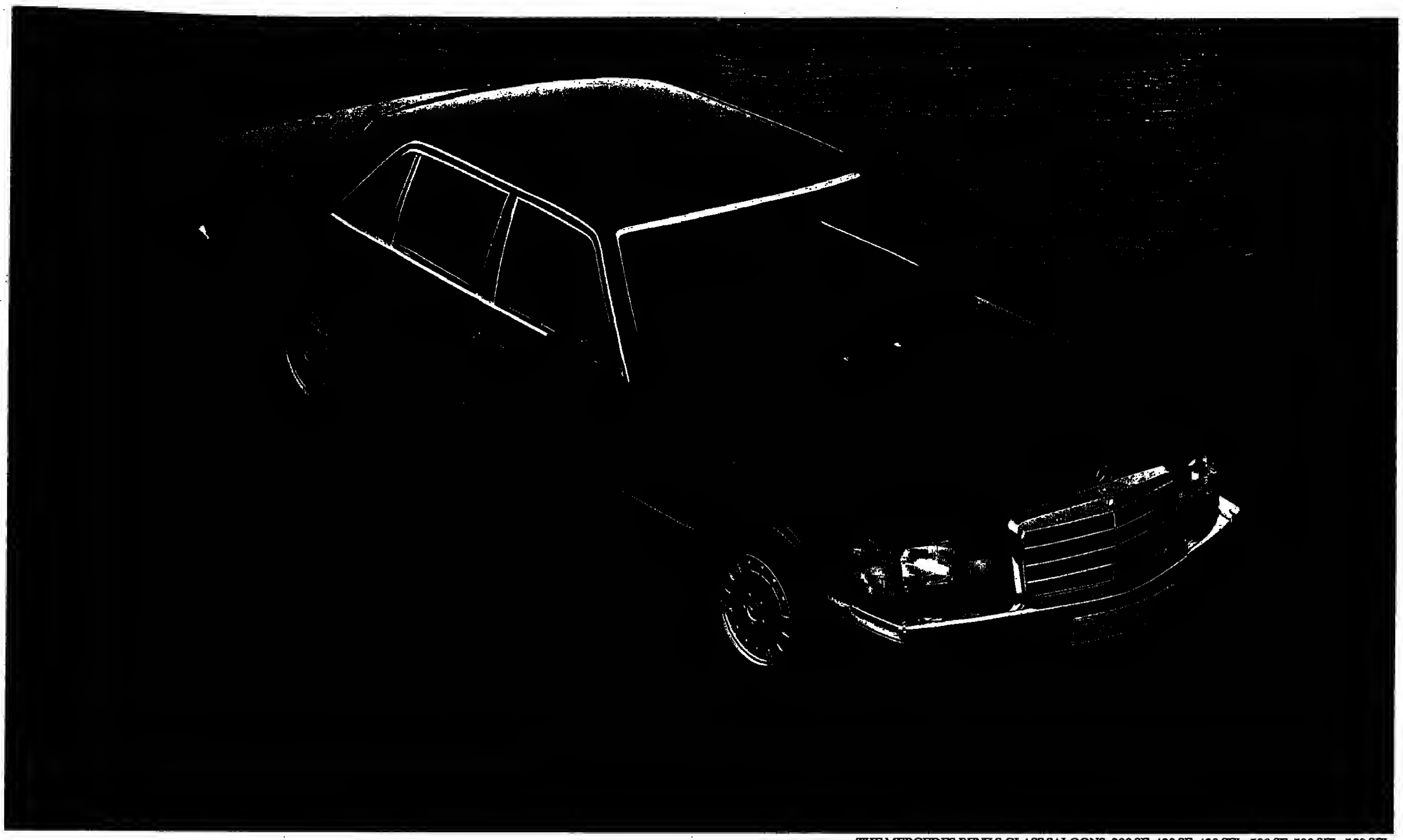
BY STEWART FLEMING IN WASHINGTON

PERSONAL INCOME in the US rose a moderate 0.4 per cent in October, but Americans cut back sharply on car purchases and consumer spending fell a record 2 per cent, the Commerce Department reported yesterday.

The end of the spending spree on cars, which was triggered by the decision of automobile companies to halt their low-interest car financing plans after they had reduced their bloated inventories, has been apparent in retail sales figures.

The rise in personal income, which compares with gains of 0.2 per cent in August and 0.3 per cent in September, was the biggest increase since April when extraordinary farm subsidy payments lifted income by 1.2 per cent.

The October rise lends support to those economists who argue that continuing income gains will allow consumption to rise moderately through the rest of the year and help the economy keep moving forward.



THE MERCEDES-BENZ S-CLASS SALOONS: 300 SE, 420 SE, 420 SEL, 500 SE, 500 SEL, 560 SEL.

The S-class: Mercedes-Benz engineering in its most classic form

Although the S-class has been described as "a moving network of high technology," Mercedes-Benz does not believe in complicated technology for its own sake. Instead they blend it ingeniously with their celebrated engineering techniques to produce S-class cars with the remarkable ability to behave like chauffeured limousines one moment and taut sports saloons the next.

An S-class Mercedes-Benz is almost two tons of educated steel and aluminium, complemented with space-age alloys and fabrics. The 300 SE comes with automatic transmission as standard equipment, plus variable-ratio power steering, multi-point central locking, electric windows, electrically-heated exterior mirrors and automatic front seat belt tensioners.

Throughout the S-class range there are nearly forty other items of optional or standard equipment. From electric front seats with individual memories to orthopaedic back rests, air bags and ABS. Importantly, all of these items are related to additional safety, comfort or convenience.

This wide range of options, plus the choice of four engine sizes means that the S-class buyer can order a car that is virtually bespoke-tailored. The choice is further widened with the availability of the longer wheelbase 420 SEL or 500 SEL.

Pinnacle of the S-class range is undoubtedly the new 560 SEL. This extraordinary 300 hp saloon has twenty factory-fitted options as standard equipment and is available with an intelligent hydro-pneumatic suspension. This new system modifies its firmness and height to match the driver's style.

The conundrum confronting many an S-class buyer, however, is not which model to order or which options to specify; it is whether to drive or be driven. The Mercedes-Benz S-class permits you to sit back and indulge in an enormous range of amenities or to take the steering wheel firmly in both hands and drive for the sheer pleasure of it. Whichever seat you decide to take, the experience will be most rewarding.

Mercedes-Benz

Engineered like no other car in the world.

TECHNOLOGY

A GRAND IDEA

Harmony between piano and computer keyboards

By Peter Marsh

A WORLD-CLASS concert pianist has just finished the performance of a lifetime. The music company planning to issue a recording of the performance then suddenly finds—to everyone's horror—that a bout of coughing from the audience has ruined the tape.

Such a catastrophe can now be avoided, however, using an unusual computer-based piano which engineers in Austria and the US have completed after 14 years of work. In the system, a computer records not the sound of a piano on tape but rather the movements of the individual keys as the piece of music is played.

To replay this recording, the computer instructs a series of electromechanical devices to activate the keys of the piano in exactly the way the musician struck them. External noises such as coughing or aeroplanes rumbling overhead are immaterial to the sound that is heard—a "perfect repeat performance," according to the developers of the system.

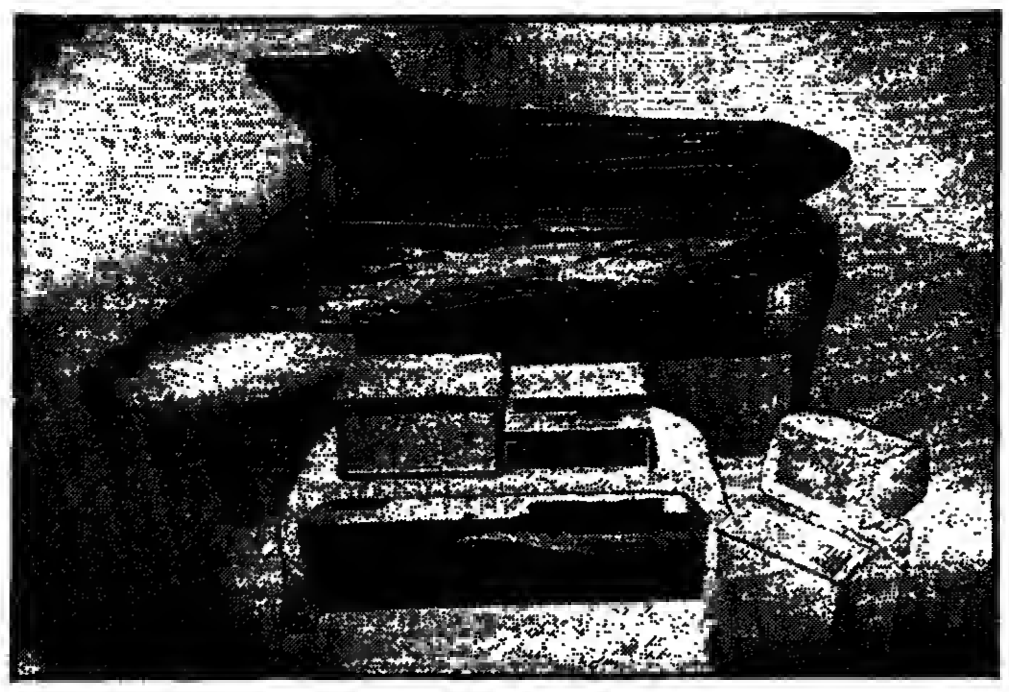
As an added bonus, a technician at the controls of the computer can "retouch" the recording of the performance, to alter notes that are misplayed, or to produce a shado more fortissmo at a set part of the proceedings. Thus even if the pianist is having an off day, the recording that results from his or her work can be technically immaculate.

The £70,000 computer-based piano (roughly twice the cost of an ordinary grand piano) has been developed by Bösendorfer, one of the world's top maker of pianos, which is based in Vienna. Bösendorfer is owned by Kimball International, of Jasper, Indiana, which is best known for making office furniture and electronic organs.

In a joint project, engineers from Vienna and Jasper worked on the new system. The original idea for the computerised piano came from Mr Wayne Stahnke, a Californian musician-cum-electronics engineer who worked with both teams on the programme.

In outline, this way of obtaining a recording resembles the operation of old-style player pianos. In these mechanisms, a set of cards with holes in them activates mechanical contraptions to strike keys as though someone is sitting at the instrument.

But according to Mr Hal Vincent, musical engineering manager of Kimball, the new system resembles a player piano "only in the way that the Wright brothers' aeroplane is similar to a jumbo jet." Central to the invention is that recording is made by a series of optical devices that "memorise" the position of keys while the instrument is played.



Electronic route to perfect recordings: Bösendorfer's computer-based piano

This lack of a physical connection means that the pianist does not feel any reverberations resulting from a mechanical recording device, of the type that would be required for a player piano.

When the computer is instructed to replay a performance, using a series of solenoid-based contraptions attached to the 97 keys in the Bösendorfer instrument, the sensation obtained is as if the real pianist is actually at the keys.

According to Mr Vincent, the overall effect is to give a "live" quality to the recording that would be impossible with even the most sophisticated loudspeaker-based hi-fi system. Mr Vincent says that when a top-class pianist hears his or her rendition using the computerised system the initial reaction is "one of incredulity."

"For the first time, people hear their own performance as though they have been sitting in the audience. It normally takes a few minutes for this to sink in."

Most of the electronics work on the project was done in Indiana, with Bösendorfer staff in Vienna concentrating on adapting the basic pianos.

When a pianist plays a note, the keys in the instrument are depressed by a specific distance. Each key is linked to a hammer, which moves in a similar fashion.

The optical sensors are a series of light-emitting diodes which, 800 times a second, obtain readings of the degree to which all 97 keys deviate from their resting positions. A similar arrangement of sensors stores data about the hammers—and also the movement of the piano's three foot pedals.

The sensors are sensitive enough to differentiate between about 1,200 positions for each key. This is a huge amount of precision bearing in mind that the maximum depression of a key—which occurs when a pianist gives his instrument a real thump during loud, emotive passages—is no more than about 1 centimetre.

The information about position is stored in digital form in a purpose-built computer. Later, the sound can be replayed by instructing the compnter to play the piano using the data base of how a piece of music was performed.

The system can also be a useful aid in teaching. A student could play a particularly difficut passage—and then not only hear this replayed with perfect fidelity but also be told by the computer of any poor notes or incorrectly expressed passages.

The teaching function follows from the power of the electronics system to analyse, note by note, the entire performance. Details such as the length of the notes and the force with which each is played are displayed to the pianist via a TV-type screen.

Kimball has produced a total of 12 computerised pianos. Ono of tho first has been bought by the Massachusetts Institute of Technology, which will use the machines for research into the way people understand and compose music. Kimball hopes other systems wil be used both by recording studios and institutes that teach music.

Anyone hoping that the instrumeot is capable of turning the peroformance of a ham mnsician into that of a world-class pianist is, sadly, due for a disappointment. According to Mr Vincent, the system's ability to embellish a performance is fairly limited, on account of the vast amount of computer power that would be required.

MAJOR INVENTORS WHO PLAYED THEIR PART

According to Bösendorfer, the Vienna-based company which is among the world's leading piano makers, its new computerised system is the first major technical advance in pianos since 1859.

The instrument has certainly come a long way since it was invented by Bartolomeo Christofori, a humble harpsichord maker from Padua, around 1700.

Christofori is credited with inventing an ingenious technique by which a hammer strikes a string and then automatically falls backwards, allowing the string to vibrate and producing a pleasant, resonating sound. This is the so-called escapement principle.

In 1821, another inventor, Sebastian Erard, improved this technique, producing a better sound quality, using a method known as double escapement. Essentially, this gives the piano player greater control over the loudness of the note.

The major advance in the science of piano construction was made by Alpheus Babcock in 1837. He used a large, one-piece plate of cast iron as the basic framework for a square grand piano. This gave the instrument the greater string tension necessary for the powerful tones favoured by piano players of the time.

But it was not until 1859 that piano builders began the development of what is called the overstrung scale design, a way of laying out the strings and other components inside the piano. This led the way to the design of the grand piano as it appears in concert halls around the world today.

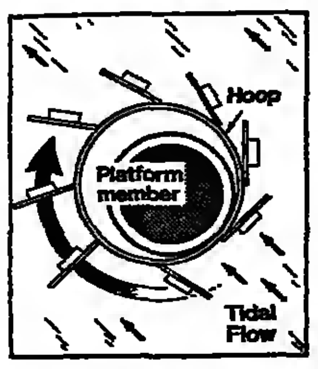
WORTH WATCHING

Edited by Geoffrey Charlish

Barnacles made to jump through hoops

OFFSHORE operators are being offered a means of cutting considerably the cost of sub-surface cleaning of their platforms. RevMarine of Falmouth has developed a self-propelled device which it claims can cut cleaning costs—amounting easily to £0.25m per platform every three years—by at least 40 per cent.

The tubular members of platforms soon become covered in marine growth. If unchecked, this can add many tonnes to their weight and cause dangerous loadings—but cleaning is expensive using divers. Mr Tom Henderson, himself a diver and also managing director of RevMarine has developed a simple device now being made by his company and called the Henderson Hoop.



The hoop breaks at one point and is pinned after fitting round the tube, having a loose fit. It is made from a resilient form of polypropylene and has radial fins which hinge out and catch horizontal tidal flow on one sido of the hoop only, making it rotate once or twice a minute. Small attachments to the fins make the hoop also move along the tube over whatever free length exists on that particular run.

The inside surface of the rotating hoop rubs against the tube on the side facing the water flow, keeping the tube free from growth. When the tide reverses, the hoop returns down the tube run, pushing in the other radial direction and cleaning the tube's other side.

A typical platform might need about 400 of the hoops for the many tube runs forming the structure.

US check on big-time smuggling

AIR CARGO containers can be inspected for weapons, explosives, drugs or other undesirable items at a rate of 85 containers per hour and a cost of $20 per container using an X-ray system launched by Bechtel, the engineering and construction company of San Francisco.

Developed in conjunction with fellow US companies Varian Associates and American Science and Engineering, the system is said to be sensitive enough to pick out items as thin as a pencil and hidden behind several inches of steel. To get X-rays through such large objects as air cargo containers the system uses an 18-feet high, one-inch wide, fan-shaped beam. This scans the passing container and is driven from a Varian X-ray linear accelerator, claimed to be the most powerful X-ray source commercially available.

Magnetic bugs for cleaner rivers

TOXIC METALS in factory effluents, or river water entering plants that provido water supplies, could be reduced to very low residual levels, it is claimed, by a system under development at Southampton and Durham universities in the UK.

The process uses specially chosen bacteria which become coated with magnetic ions (charged atoms) of the metals that are in the water in the form of salts. The "bugs," acting like tiny magnets, are then separated from the fluid using magnetic filters in the form of closely spaced crossed-wire assemblies. From time to time the filter is switched off and the accumulation of bacteria is flushed to a safe place.

The idea of bacteria attracting heavy metals is not new, but the two universities, sponsored by the UK Department of Trade and Industry and a UK company, Bio-Separation of London, have developed the magnetic attraction idea to achieve extremely low residual levels of metal. The micro-organisms are able to take on their own wet weight of material and their removal magnetically from the fluid is very efficient.

Work recently carried at a Dutch company showed the method to be capable of reducing mercury levels in plant effluent from 2,000 parts per billion to three parts per billion.

Bio-Separation is co-operating with plant designers Davy McKee of London with a view to commercialising production of the equipment involved in the process.

A coat for cutting tools to wear

BALZERS High Vacuum of Berkhamsted, UK, has opened a division for the coating of cutting tools. The coating, called Baltride, is an extremely wear resistant and chemically stable coating of titanium nitride offering "previously unattainable" increases in cutting speeds, a better finish and longer tool life.

Contacts: RevMarine: UK, 0326 12949. Bechtel: US, (415) 768 1234. Southampton University: UK, 0703 559122. Balzers: UK, 04427 2181.

Unit trust sales near £1bn as boom continues

BY ERIC SHORT

INVESTORS bought almost £1bn of units last month as the boom in unit trusts continued to accelerate to unprecedented sales levels.

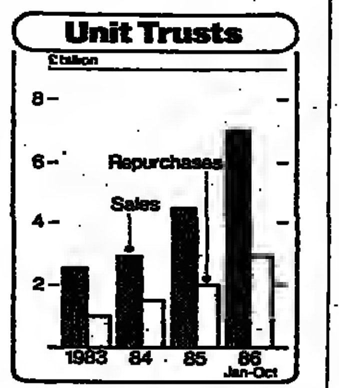
Figures issued yesterday by the Unit Trust Association showed that sales in October amounted to a record-breaking £983.7m – more than £100m above the previous monthly sales record of £850.5m achieved in June of this year.

The UTA pointed out that in 1981 total unit sales for the whole year only amounted to £955.6m, a figure then regarded as an excellent result.

These figures were boosted by a near-record number of 16 new unit trust launches. Many of these were highly successful, such as the Allied Dunbar European Growth Trust, which sold £34.9m of units, and Framlington Financial Fund, which sold £21.5m.

However, unitholders are becoming much more active in switching funds. Repurchases last month were maintained at the very high level of £360.1m, though some £60m lower than in September.

This resulted in net new investment in unit trusts at £623.6m, just £25m below June's record of £648.9m.



Total unit trust sales in the first 10 months of this year now amount to £7bn. Record sales of £4.5bn for the whole of 1985 have been left far behind. Although repurchases for the period total £2.89bn, net new investment has reached £4.11bn – against £2.54bn for the whole of last year.

Despite some dull equity markets during the month, the buoyant investment enabled total funds under management to rise by nearly a £1bn to £29.9bn, while the number of new unitholder accounts increased by a further 100,000 to 3.22m.

Apricot computer moves into desktop publishing

BY DAVID THOMAS

APRICOT, the Birmingham-based computer maker is moving into desktop publishing, a market which is expected to grow rapidly.

Desktop publishing allows high-quality publications to be produced on personal computers.

Apricot says the UK market is worth about £30m a year at present, but expects this to grow quickly particularly when demand for word processing and desktop publishing begins to converge.

Apricot yesterday unveiled details of four desktop publishing machines ranging from £5,999 to £10,999, excluding VAT. It is also offering to add desktop publishing capabilities to the personal computers of existing customers for £3,999.

The company said it hoped to have about 20 per cent of the UK market after two years.

It thinks its first sales will be with general business customers, followed by demand from more specialist printing and publishing operations and the in-house printing facilities of large companies.

Apricot said this move into desktop publishing fitted into the strategy it has followed since it plunged into loss last year. This strategy includes concentrating more on services added to personal computers and on products likely to be part of networks in offices.

David Fishlock reports on Lord Marshall's view of the Soviet disaster

Chernobyl reactor 'fundamentally flawed'

THE SOVIET reactor type which exploded at Chernobyl last April was fundamentally and dangerously flawed when judged by Western principles of reactor design, Lord Marshall, chairman of the UK Central Electricity Generating Board believes.

Lord Marshall, interviewed at the annual meeting of the US Atomic Industrial Forum in Washington, said the Soviets had admitted that their RBMK-type reactor at Chernobyl was grossly unsafe but they believed it could be kept in check by a rigorous code of operating instructions.

He said the reactor type was qualitatively different from every other reactor type in the world, and therefore held no lessons for Britain or any nation outside the Soviet Union.

At Chernobyl the operators flouted standing orders, and the nuclear fuel over heated to the point where it exploded into white-hot particles.

Lord Marshall said international nuclear experts who conducted the "post mortem" into the explosion had been distracted initially from its gross design flaws by top-level Soviet accounts of the many operating errors, and by their own fascination with the massive post accident recovery operation.

Only later had it dawned on them that the Chernobyl reactor type – responsible for about 6 per cent of Soviet electricty capacity – had the fundamental flaw of a positive power co-efficient at any power level below 20 per cent.

This meant that if, for any reason the amount of steam present in the reactor core should increase, the reactor's power output would automatically increase. This in turn would generate more steam, and hence more power.

"What we have is in effect a positive feedback on the build up of power," he said.

The Soviet reactor was the only reactor type in the world with the characteristic of a positive power coefficient. The charcteristic had been deliberately eliminated from all Western reactor designs.

Lord Marshall

The West, which had never been given details of the Soviet reactor type, had simply assumed that Soviet designers worked to the West's basic safety principles.

Lord Marshall likened the flaw revealed in the Chernobyl reactor to having a car with a design fault that required the driver to give constant attention to his brake when below 20 mph to prevent it from surging to 100 mph if, for example, the fan belt should break.

Like the car, the reactor needed to pass through the unsafe regime at least twice every time it was used. The accident occurred when it was deliberately being operated at low power.

Top Soviet nuclear officials had acknowledged the design flaw and sait it was a colossal psychological blunder, to rely so heavily on operators.

The first rule of reactor engineering in Britain, was that any reactor must have inherent characteristics of self-protection and fail-safe.

An early clue that the Soviet design philosophy was different, came when a senior British nuclear engineer inquired about safety interlocks on their reactor – a question they evidently did not understand.

British reactors were protected by an extensive system of interlocks. Lord Marshall said the Soviets were now making changes "which, in effect make their practive look closer to our own."

Lord Marshall identified five basic rules of reactor operation which applied in Britain but did not apply in the Soviet union at the time of the accident:

- Built-in capacity to fail safe.
- A design which makes it impossible to remove all control rods at once, or too quickly.
- Automatic shut-down if operators deliberately try to make the reactor unsafe.
- Operators who are well trained in handlung unusual as well as routine situation.
- Independent nuclear inspection by a team which "can at any time without hindrance or challenge close down any reactor."

For these five reasons Lord Marshall concluded that there was "no narrow technical issue" in which the West could or should learn from the Chernobyl disaster.

Open College seeks to attract sponsors

BY RAYMOND SNODDY

THE Open College, television and radio's vocational college is putting together a campaign to attract industrial and commercial sponsors.

Ms Sheila Innes, chief executive of the college set up by the Government earlier this year, is looking for a wide range of sponsors. She hopes companies will be able to sponsor programmes, the preparation of courses, bursaries for students or even Open College workshops.

The names of sponsoring companies can be carried on printed material and the college is beginning to explore the extent to which sponsors' names can appear on screen.

The college, supported by the Independent Television companies, the BBC and Channel 4, is due to begin its broadcasts next September.

"We will be having consultations with industry to make sure that the high quality courses we plan to offer are in fact relevant," said Mrs Innes, controller of BBC Educational Broadcasting, who takes over her new job in January.

The first raft of courses likely to be offered at the Open College include: management skills, foreign languages for business, basic electronics and computing, and courses in job searching and basic communication skills. There will also be courses, aimed primarily at the unemployed, on profitable uses of spare time and for women returning to work.

A lot of the courses will involve assessment and the award of credits towards existing educational qualifications. But some will be what Sheila Innes describes as "at the jolly end" designed to attract less motivated learners with courses perhaps on rock music or do-it-yourself. "We might in the end even become the nursery slopes for the Open University," said Mrs Innes.

Britain, she believes, has been rather slow in investing in its employees and potential employees.

She hopes that those who enrol with the college – they will probably be called learners rather than students – will be given a sense of belonging to the institution,

Chinooks to fly again after modifications

By Michael Donne

The three Boeing Vertol BV-234 Chinook helicopters of British International Helicopters will be able to resume flying soon, once modifications requested by the Civil Aviation Authority to the transmission gear and other parts have been completed.

The aircraft have been grounded since the crash earlier this month of a BIH Chinook whilst approaching Sumburgh airport in the Shetlands, following a "catastrophic fatigue failure" of part of the aircraft's forward rotor gearbox. Out of 47 on board, 45 died in the crash.

Immediate modifications to the remaining Chinooks on the UK civil register were ordered by the CAA, including replacement of parts in the gearboxes and transmission system.

This work is now well under way, and the CAA said last night that subject to satisfactory completion and inspection of the work, the aircraft could fly again.

Critics of arts 'cuts' attacked by minister

FINANCIAL TIMES REPORTER

MR RICHARD LUCE the Arts Minister, said yesterday that some arts lobbyists had turned pessimism itself into an art form and were in grave danger of damaging the cause of the arts in Parliament and in the country.

He hit back at those who had wilfully misrepresented his arts budget – announced on *Monday* – as "cuts", and who used colourful and theatrical language to overstate their case.

Mr Luce said: "Let us be quite clear about the position: my budget for next year has increased arts spending by 5.4 per cent – which is broadly in line with that for Government spending overall in the next financial year. The Arts Council has had its basic provision increased by 3.5 per cent – which is broadly in line with inflation.

"Under this Government real spending on the arts – that is after allowing for the effects of inflation – has risen by 13 per cent (after excluding local authority determined spending on libraries and museums).

"Of course I understand there are pressures of competing claims in the arts world but this must be seen against the background of ever increasing expansion of the arts. This annual ritual of despair is regularly proved to be unfounded. But when it is combined with a misrepresentation of the facts of the Government's very real support for the arts, it is in serious danger of doing harm to the cause of the arts."

Mr Luce, speaking to a gathering of business sponsors of the arts, revealed that business sponsorship is expected to have contributed up to £25m to the arts this year. "This is just one example of how the arts are expanding through a plurality of funding.

● The National Heritage Memorial Fund, which has the task of safeguarding historic buildings, works of art, and the countryside, says it faces an impossible task if its annual grant from the Government – announced this week to be £3m, frozen from last year – is not increased.

British dilemma on human rights

By John Hunt

A PRIVATE member's bill to incorporate the European Convention on Human Rights into British law is to be introduced in the House of Commons by Sir Edward Gardner, QC, a senior Conservative back bencher.

It would mean that British citizens who believe their fundamental rights have been infringed would have to have their cases heard in a British court instead of going to the European Court in Strasbourg.

Sir Edward came fifth in the ballot for private members' bills yesterday which means that his bill will be one of those debated in the Commons.

Another bill would give people the right of access to their personal files held by various organisations. There is also the possibility of a bill imposing tougher sentences for serious crimes and one to give the long-term unemployed the guarantee of a job.

Sir Edward's bill, like others on the list, places the Government in an embarrassing dilemma. A similar private measure, the Human rights and Fundamental Freedoms Bill, was strongly opposed by the Government when it was introduced in the House of Lords in December by Conservative peer, Lord Broxbourne (formerly Sir Derek Walker-Smith). It had strong all-party support and the backing of Lord Scarman from the cross-benches.

But Lord Glenarthur, Under-Secretary at the Home Office, opposed it was "a completely unjustified gamble" which would move Britain towards a written constitution. It passed all its stages in the Lords but was not given time in the Commons.

But now Sir Edward's bill will be debated in the Commons where it has wide support on both sides of the house. Sir Edward argued yesterday that it will remove potential conflict between the jurisdiction of the European Court and British law and would give British citizens swifter justice at lower cost. He hoped the Government would be convinced by the force of these arguments.

The bill giving right of access to personal files will be introduced by Mr Archy Kirkwood, the Liberal MP, who came sixth in the ballot.

UK NEWS

Lawson does not want fall in pound

By Philip Stephens

MR Nigel Lawson, the Chancellor of the Exchequer, yesterday re-affirmed that he does not want to see sterling fall significantly below its present levels against other leading currencies.

The evidence to the House of Commons Treasury and Civil Service Committee, Mr Lawson also indicated that increases in public spending announced earlier this month had effectively ruled out a 4p cut in the basic rate of tax to 25p in the next Budget.

The Chancellor said the necessary downward adjustment in sterling's value in response to lower oil prices was now complete. The present policy was therefore to ensure that the exchange rate exercised "a financial discipline" in the economy. "That means that I do not wish to see it fall further", he told MPs.

He indicated he was referring to sterling's trade-weighted value in such calculations, but said he would not be more explicit on a particular level because that would encourage speculators in the foreign exchange markets.

Mr Lawson, in evidence on his Autumn Statement on the economy, refused to give any indication of the interest rate assumptions on which the Treasury's forecasts are based. He suggested, however, that borrowing costs in Britain are likely to remain higher than in its overseas competitors for some time. He said: "I will bring down interest rates when it is safe and prudent to do so and not before."

Labour opinion poll lead feeds sterling's jitters

BY JANET BUSH

STERLING had another nervous day on foreign exchanges yesterday, falling sharply at the opening mainly because of an opinion poll which again showed the opposition Labour party in the lead.

The Bank of England's effective sterling index fell to 67.5 at one stage only 0.5 per cent above its record low, before edging higher to 67.6 at the close. The index had closed on Wednesday at 68.0.

The poll, published yesterday morning, showed the Labour Party ahead of the Tories by 3.5 per cent, the biggest lead recorded by Gallup since June. Recent polls had shown the Tories in the lead for the first time in nearly a year and bad party mitigated market concern about the deterioration in the balance of payments and forecasts for higher inflation next year.

Although the pound steadied towards the close, it still ended lower at DM 2.8325, compared with Wednesday's close of DM 2.8475, and at $1.4110 after $1.4180.

The publication of October money supply figures yesterday did little to help the pound. Although broad money supply, Sterling M3, showed only a modest rise, bank lending remains at a very high level, underlining concern about the potential impact on inflation and the current account of the boom in consumer spending.

The money supply figures probably had less impact on markets than usual because the change to calendar month reporting makes them very difficult to interpret at the moment. There are also distortions in connection with the large sale of shares in Trustee Savings Bank Group which the Bank of England said had boosted broad growth.

City economists and dealers said sterling had already been very nervous and vulnerable before the new opinion poll.

The Prime Minister's comments on the European Monetary System and interest rates in an interview with the FT earlier this week cast doubt on two potential supports for sterling. At the same time as ruling out full membership of the EMS until at least after the next general election, Mrs Thatcher expressed her dislike of raising interest rates and of market intervention.

The foreign exchange market is concerned about the Government's commitment to defending sterling at a time when nerves are already running high about the next election.

UK Government bonds stabilised yesterday mostly in reaction to recent sharp price falls on successive trading days to the lowest levels seen this year. But retail demand remains absent and the market is still vulnerable to any further sterling losses on foreign exchanges.

UK equities also recovered their poise after Wednesday's losses following an improvement on Wall Street.

Janet Bush reports on changes in the Bank of England's computing methods

City faces money supply confusion

THE Bank of England's official money supply figures have always been difficult to interpret but the fundamental change in the way the figures will be reported from now on has thrown the City of London even deeper into confusion.

Mr Robin Leigh-Pemberton, the Governor of the Bank of England, hinted in a recent speech that the closely watched Sterling M3 broad money aggregate might be dropped altogether because distortions meant it was no longer a reliable indicator of monetary growth. Problems with interpretation will have been compounded, at least for a few months, by the change from mid-month to calendar month reporting.

This is the culmination of discussions with banks just over four years ago which concluded that banking statistics should be brought into line with most other economic and financial statistics and yesterday the Bank of England published its figures on the new basis for the first time.

The Bank of England said the change to calendar month reporting had no significant implications for monetary policy but it did pose some short-term problems for the measurement and assessment of the monetary statistics.

Banks have for a long time submitted detailed quarterly balance sheet returns to the Bank of England but they have only compiled abbreviated returns at the end of each calendar month and even then only for the past four years. This has made it difficult to construct a completely accurate picture of calendar month trends in past months as a basis of comparison for the new series.

The Bank's construction of calendar month statistics does show, however, that over time there is no significant divergence from the banking month series and the trend is the same.

The most serious question mark hangs over seasonal adjustment. The Bank said in a note accompanying yesterday's release that the seasonal adjustments applied to calendar month data would be less reliable and subject to greater revision.

The Bank warned, therefore, that seasonal adjustments should be treated with great caution. In view of the problems, it is setting up a group to examine the question of seasonal adjustment.

For outsiders, it will be even more difficult to interpret Sterling M3 data because the Bank will no longer publish seasonally adjusted data for two key components of broad money – the Public Sector Borrowing Requirement and other counterparts which are banks' external and foreign currency transactions and net non-deposit liabilities.

Because of large seasonal fluctuations in departmental spending and the timing of tax payments, the monthly PSBR figures published by the Treasury in cash terms give only a very rough guide to the underlying trend of Government borrowing.

Several City of London economists said it will be extremely difficult to assess the progress of Government funding and draw any strong conclusions about the trend of broad money growth.

Yesterday's provisional data, both with and without seasonal adjustment, showed encouragingly modest rises in Sterling M3 but a very large total for sterling bank lending to the private sector.

Before seasonal adjustment, Sterling M3 rose by about 0.75 per cent to 1.0 per cent in calendar October, giving growth of between 18.25 per cent and 18.50 per cent in the 12 months of the end of October. After seasonal adjustment, growth in the broad money measure was thought to have been flat to 0.25 per cent.

Unadjusted M0, the narrow monetary aggregate, was estimated to have fallen by about 0.50 per cent, giving an annual rise of between 4.75 per cent and 5.0 per cent. Seasonally adjusted M0 growth was about flat.

Bank lending grew by an unadjusted £3.3bn and a seasonally adjusted £3.5bn compared with a seasonally adjusted average of about £2.2bn per month for the last six months.

The Bank said Sterling M3 was inflated at the end of September by the heavily oversubscribed TSB group share issue.

Norton Opax claims victory

BY DAVID GOODHART

NORTON OPAX, the fast-expanding printing and packaging group, yesterday claimed victory in its hard-fought eight month tussle for control of the larger printing group McCorquodale.

With just under 24 hours to go before the offer officially closes, Norton's advisers, Samuel Montagu, said that it owned or had acceptances from holders of 50.2% of McCorquodale.

However Pru-Bache, advisers to the rival management buy-out offer, immediately challenged Norton's victory claim and said that following an appeal to the Takeover Panel over the purchase of certain McCorquodale share blocks, the issue would not be decided until a meeting of the full panel on Monday.

Pru-Bache believes that between 6 and 8 per cent of McCorquodale's share capital has been bought in the market over the past few days by institutions acting in concert with Norton. These shares have been acquired at just over the buy-out team offer of 315p per share and well above the Norton cash alternative of 303p. Under panel rules Norton and those acting in concert with it are not allowed to buy at a price over its own cash alternative.

It appears that Pru-Bache's claim that at least one institution buying at 315p, a concert party, has been rejected by the Panel executive – hence the appeal to the full panel next week.

One of the institutions involved is the Kuwaiti Investment Office which is also closely involved with Norton as a "core" underwriter of its bid.

Holmes à Court pledges £275m for DBS plan

BY RAYMOND SNODDY

MR Robert Holmes à Court's Bell Group has written to the Independent Broadcasting Authority pledging that it is prepared to provide up to £275m to support the British direct broadcasting by satellite (DBS) project.

Bell is the principal investor in National Broadcasting Service (NBS), one of the five applicants for the franchise to run three new channels of satellite television in the UK.

The Bell letter to Lord Thomson, the IBA chairman, says that the financial support would be in the form of satellite services, equity loans and underwriting.

Mr James Lee, chairman of NBS, said yesterday that Bell had committed itself to spending £200m to purchase up to three satellites, and pay for two launches and a ground control station.

NBS and Bell are negotiating with British Aerospace for a contract worth up to £200m

NOTICE OF REDEMPTION

Industrial Mortgage Bank of Finland Limited

(Suomen Teollisuus-Hypoteekkipankki Oy)

8% Guaranteed Bonds due December 15, 1987

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of December 15, 1972 under which the above-described Bonds were issued, that Irving Trust Company, Fiscal Agent, has selected by lot for redemption on December 15, 1986 through the operation of the sinking fund, $2,117,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected for redemption are as follows:

Bond Numbers

3	777	2658	4289	7913	9828	10165	12963	13355	13750	14218	14610	14957	15750	16089	16503	17421	17786	18095	18633	19065
6	780	2663	4452	7916	9831	10168	12966	13358	13753	14221	14613	14960	15753	16092	16506	17424	17789	18098	18636	19074
8	783	2666	4455	7924	9834	10171	12969	13361	13756	14224	14616	14963	15756	16095	16509	17427	17792	18101	18639	19083
12	788	2701	4458	7927	9837	10174	12972	13364	13759	14227	14618	14966	15760	16098	16512	17430	17795	18104	18642	19092
15	791	2704	4461	7930	9840	10177	12975	13367	13762	14230	14622	14969	15763	16101	16515	17433	17798	18107	18645	18101
[illegible]																				
718	2567	3641	6797	8777	10110	12821	13310	13696	14178	14565	14904	15705	16030	16458	17376	17740	18045	18588	18930	19946
722	2577	3707	6799	8781	10113	12824	13318	13699	14178	14568	14907	15708	16033	16461	17379	17743	18048	18591	18939	19951
725	2580	3710	6802	9784	10116	12827	13316	13702	14179	14571	14910	15711	16036	16464	17382	17746	18051	18594	18948	19956
728	2586	3713	6805	9787	10119	12830	13318	13705	14182	14574	14913	15714	16039	16467	17385	17749	18054	18597	18957	19961
731	2589	3718	6808	9795	10122	12837	13322	13708	14185	14577	14916	15717	16056	16470	17388	17753	18057	18600	18966	19966
743	2592	3719	6829	9798	10125	12840	13325	13711	14188	14580	14919	15720	16059	16473	17391	17756	18060	18603	18975	19971
748	2598	3722	6867	9801	10128	12843	13328	13720	14181	14583	14922	15723	16062	16476	17394	17759	18068	18606	18984	19978
751	2603	3998	6870	9804	10141	12846	13331	13723	14194	14586	14925	15726	16065	16479	17397	17762	18071	18609	18993	19981
754	2620	4076	6984	9807	10144	12853	13334	13726	14197	14589	14928	15729	16068	16482	17400	17765	18074	18612	19002	19986
760	2623	4099	6987	9810	10147	12856	13337	13729	14200	14592	14931	15732	16071	16485	17403	17768	18077	18615	19011	19991
763	2631	4102	6990	9813	10150	12859	13340	13732	14203	14595	14934	15735	16074	16488	17406	17771	18080	18618	19020	19996
766	2640	4105	6993	9816	10153	12862	13343	13735	14206	14598	14937	15738	16077	16491	17409	17774	18083	18621	19029	
769	2645	4108	6996	9819	10156	12865	13346	13738	14209	14601	14940	15741	16080	16494	17412	17777	18086	18624	19038	
771	2648	4174	7005	9822	10159	12957	13349	13741	14212	14604	14943	15744	16083	16497	17415	17780	18089	18627	19047	
774	2655	4286	7016	9825	10162	12960	13352	13744	14215	14607	14946	15747	16086	16500	17416	17783	18092	18630	19056	

On December 15, 1986 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to the date fixed for redemption. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after the date fixed for redemption, at the corporate trust office of the Fiscal Agent, Irving Trust Company, attention Trust Services Department, Corporate Trust Window, 101 Barclay Street, New York, NY 10015, in the Borough of Manhattan, City and State of New York. At the option of the holder, such payment (by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City) will be made, subject to applicable laws and regulations in the country of each of the following offices or agencies, at the main office of Irving Trust Company in London, of Kredietbank N.V. in Brussels, of Berliner Handels—Gesellschaft—Frankfurter Bank in Frankfurt/Main, of Kredietbank S.A. Luxembourgeoise in Luxembourg, and of Banca Commerciale Italiana in Milan.

From and after such redemption date, interest on the Bonds selected for redemption will cease to accrue. Interest coupons due December 15, 1986 should be detached from the Bonds and presented for payment in the usual manner.

Irving Trust Company
as Fiscal Agent

November 14, 1986

Minister backs private sector for N. Ireland power station

BY MAURICE SAMUELSON

THE GOVERNMENT last night confirmed that it was nearing a decision on whether to give the private sector a major share in electricity production in Northern Ireland.

Mr Tom King, Northern Ireland Secretary, told engineers in London that two private consortia, as well as the publicly owned Northern Ireland electricity authority, had completed proposals for a 450 megawatt station to burn local deposits of lignite low calory coal.

He left little doubt that if the private sector could guarantee low cost electricity for the province, it would receive the Government's approval for the project.

The injection of £400m to £400m of private capital would be a "major demonstration of confidence in the province', and the largest private investment ever made there, he told the annual dinner of the Institut of Mechanical Engineers.

Announcing that a decision might be possible at the beginning of next year, he said a privately run project would be assured of an early start, resulting in the early creation of 2,000-3,000 jobs in Northern Ireland, especially in the construction industry.

The two private consortia include major US as well as British civil engineering concerns.

One of them, Antrim Power Company, is led by Bechtel Corporation of the US, the Hanson Trust, GEC, and a number of Northern Ireland investors.

The other, Loughside Power Company, is registered at the Belfast office of Harland and Woolf and is led by Foster Wheeler, Costain and Northern Engineering Industries.

Northern Ireland Electricity (NIE), backed strongly by power worker unions, is also pressing to build and construct the plant. It claims that, with the help of the Central Electricity Generating Board, it could do so at least as fast as its competitors and says it is legally entitled to raise private finance to do so.

The fierce competition for the contract has been further heightened by claims of rival mining companies to offer the cheapest fuel sources. At Crumlin and at Coagh, on opposite shores of Lough Neagh, mining rights are in the hands of British Petroleum's subsidiary BP Coal.

A third major deposit, for which Australia's Meekatharra Minerals won prospecting rights in June, is at Balleymoney.

The price at which lignite can be mined at these sites will be an important factor in determining the location of the power station.

Cement job cuts blamed on imports

By Lynton McLain

BLUE Circle Industries, the cement and building materials group, is to cut its workforce by almost 11 per cent with 1,200 job losses next year. In addition, two Blue Circle cement works, at Shoreham, Sussex, and Swanscombe, Kent, are likely to close at the end of 1988 with the loss of a further 380 jobs.

The redundacies and planned closures will affect 10 of the company's 13 factories in the UK as well as rail distribution depots.

Blue Circle said yesterday that the operation of Greek cement importers in the UK market in recent months had helped push imports to 3 per cent of the UK market, compared with near zero imports five years ago. This had been a factor in the company's decision to cut its workforce and production capacity.

Cement production capacity at the UK's biggest cement works, Blue Circle's plant at Northfleet on the Thames estuary, is to be cut from 1.6m tonnes a year to 1.0m tonnes at the end of next year, when two of the plant's four cement kilns will be shut with the loss of 300 jobs.

The decision reflects the excess cement production capacity in the UK when demand is static and imports are rising.

Bloe Circle is the largest manufacturer of cement in the UK, with 57 per cent of the UK cement market. It has the capacity to make 8.5m tonnes of cement a year, but last year sold only 7.8m tonnes out of a total UK market demand of 13.5m tonnes.

RTZ Cement and Rugby Portland Cement are the other two main UK cement producers in the UK.

Broadcasting changes outlined

BY IVOR OWEN

THE BBC and the Independent Television companies will both be required to allow independent producers to provide around a quarter of their programmes under major changes in broadcasting policy outlined by Mr Douglas Hurd, the Home Secretary, in the House of Commons last night.

While unable to give any precise timetable for their introduction, he indicated that subject to the Conservatives winning the coming general election, a new system to permit competitive tenders to play a part in the allocation of independent television franchises, is likely to be in place by 1993.

In what Labour MPs interpreted as another precursor of an early general election, Mr Hurd ruled out any increase next year in the current £58.00 BBC license fee

His insistence on the need for independent programme producers to be given substantially expanded opportunities – over a period of four years rather than the ten years suggested by the Peacock Committee in its report on broadcasting – clearly surprised many MPs on both sides of the House.

Mr Hurd recalled that the committee recommended an increase to at least 40 per cent of programmes to be supplied by independent producers.

He said: "Some of the independent producers themselves have campaigned for a figure of 25 per cent and a figure in that region seems to the Government to be a realistic goal at which to aim."

Mr Hurd's advocacy of the biggest change in Britain's broadcasting system since introduction of commercial television 30 years ago, was viewed with suspicion by Mr Gerald Kaufman, Labour's Shadow Home Secretary who accused the Government of seeking to undermine the position of the BBC by furthering the "Murdochisation" of the British electronic media.

Student number projections increased

By Michael Dixon

MR KENNETH BAKER, the Education Secretary, yesterday foreshadowed a more favourable climate for universities and polytechnics by raising the projections for total student numbers. These projections underlie the Government's longer-term educational planning.

The move follows complaints from employers' organisations and higher education pressure groups that future student numbers as previously projected would not provide enough people with degree-level education to meet employers' needs.

Mr Baker emphasised, however, that the increased figures were not a statement of Government policy on higher education.

There are two new projections, each based on a different set of assumptions about trends in demand for higher educational studies.

One, founded on past demand, projects that the total of full-time and equivalent part-time students, including those from overseas, should rise from 693,000 in 1985 to 700,000 in 1989, an increase of 14.4 per cent on the previous projection by the Government in 1984.

Consumer protection bill aims to liberalise European trade

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

A BILL designed to protect consumers from defective or unsafe goods and misleading pricing practices and, at the same time, help liberalise trade within the European Economic Community, was published by the Government yesterday.

The Consumer Protection Bill could become law within a matter of months, Mr Paul Channon, Secretary of State for Trade and Industry, said in London.

The first section of the Bill aims to make producers, importers or own-brand distributors liable for damage caused by defects in their products. Mr Channon said this would make it easier to obtain compensation.

"In particular, there will be strict liability; consumers will no longer have the heavy burden of proving that the manufacturer has been negligent," he said.

This provision is based closely on a European Community directive on product liability, and implementation would be an important step in harmonising EEC law, the minister claimed.

"Manufacturers and consumers will benefit from having a similar regime throughout the Community, which will reduce barriers to trade."

While the new controls would reinforce existing legislation, there is some concern among manufacturers and consumer groups alike about the inclusion and framing of a "development risks defence" in the product liability section.

This could be the most serious threat to the Bill's smooth passage through Parliament.

It gives a company a defence if, in the light of knowledge at the time of manufacture, it was not reasonable for the company to be expected to seek out the defect or the means to discover the fault were not available.

Mr Channon said it was important that while consumers should be given adequate safeguards, the Government had to be careful not to "choke off" innovation.

Consumer groups fear this amounts to a loophole through which drug and aircraft manufacturers, for example, may avoid liability.

The Confederation of British Industry, the employers' association, said yesterday that without the development risk clause, companies would be inhibited from developing new products. The availability of insurance cover would also be threatened.

"We shall watch with interest to see whether in practice this defence proves to have been drawn widely enough," Mr Kenneth Edwards, deputy director general of the CBI, said.

A general safety requirement in the Bill, designed to make it an offence to sell unsafe consumer goods, would apply to all products and allow speedy, decisive action when dangerous new products appeared, Mr Channon said.

It would reinforce existing legislation which provides powers to lay down specific rules about certain products. While this would continue, the minister said, it was too slow to deal with the appearance of products, "especially novelty goods which are all too often dangerous."

The third main provision will make it an offence to give misleading price indications and comparisons. Existing legislation on "bargain" offers has proved ineffective.

Mr Channon said the new rules, based on a code of practice to be published separately from the Bill, would enable consumer to make better decisions "in a market where goods will compete on quality and value rather than on the basis of gimmicks."

FINANCIAL TIMES SURVEY

Friday, November 21 1986

Industrial Property

Rents are rising again as the backlog of empty space left from the recession continues to fall. But development is still hard going in some centres and even high-tech faces problems.

Out of the doldrums

By William Cochrane

A MASSIVE takeup of industrial property space over the past three years in most regions of England is belping to put life into that sector of the investment market.

Vacant industrial floorspace in England and Wales fell by 21.5m sq ft or 15.9 per cent in tha 12 months to August 1986, according to agent King & Co.

"This trend has been continuous for three years, with a total reduction since the spring of 1983 of 63.8m sq ft, representing 56 per cent of tha empty total," it said.

Another egent, Weatherall Green and Smith, led off the autumn edition of its quarterly property index with the stronger performance of industrial property investments.

"The industrial sector, which has for so long been in the doldrums with total returns well below the other sectors, is displaying more bealthy signs. Returns have risen almost constantly for the last eight quarters," it said.

Increased interest in good industrial space would mean that the next prospective movement in yields was likely to be downward, it forecast. "This would result in a rapid increase in the valne of existing investments, as well as providing a much-needed boost to the standard industrial/warebouse development which bas been difficult to fund in the last few years."

But Neil Higson, a partner in Herring Son and Daw, says that there are harsh realities in the investment market which the mere take-up of space is not going to remove. "In many parts of the country there Is not a great deal of logic behind the recovery that has taken place in industrial development," he says.

"In many cases rentals bave not risen to a level at which investors can justify the capital inpnt.

"Tha return they achieve on a new industrial development in the north Midlends might only equate to £1.70 to £1.90 per sq ft per annum. This is not en adequate return on a capital investment which includes £20 to £25 a sq ft of building costs."

"Until rents rise or yields move further only a limited amount of industrial development makes sense where rents are less than £2.50 a sq ft."

Mr Higson thinks there are still two Britains from tha development point of view.

King & Co implicitly advises against making narrowly-based assumptions on its statistics. "One of the reasons for the rednction in industriel floorspace continues to be the ecquisition of industrial land for residential and retail purposes," it says.

"A number of major bousebuilders report that, especially in the sonth-east, redundant industrial property continnes to be a major source of supply of residential development land."

Roger Carey, development director at Slough Estates, one of Britain'a largest industrial property developers, bas noted something aimilar. "Nine out of 10 opportunities put to ns on the industrial development side these days refer to the potential for retail — just as, two years ago, they would bava referred to high-tech prospects," be seys.

"All developers are seeking funds and funds are easy to come by for retail development. They are not so easy for high-tech any more."

"Hi-tech" in the distorted form which prodnced tin pavilions jammed together on back lots at Bracknell, high in price and low in amenities, seems to have been an expensive bubble which bas now burst. Howevcr the switch to flexible "business class property," may be one of the most important happenings in property development for decades.

Mr William Winterson, an associate of the agent St Quintin, said that institntional investors are taking a cautious approach to property developments for high-technology industry. "The inevitable failure of some companies in the sector is one factor influencing investment," be said.

This year has secn carefni discrimination between suitable hi-tech sites and those for traditional industrial and warehouse developmant. Next year will sea increasing competition between developers for the blue chip, high-technology covenants.

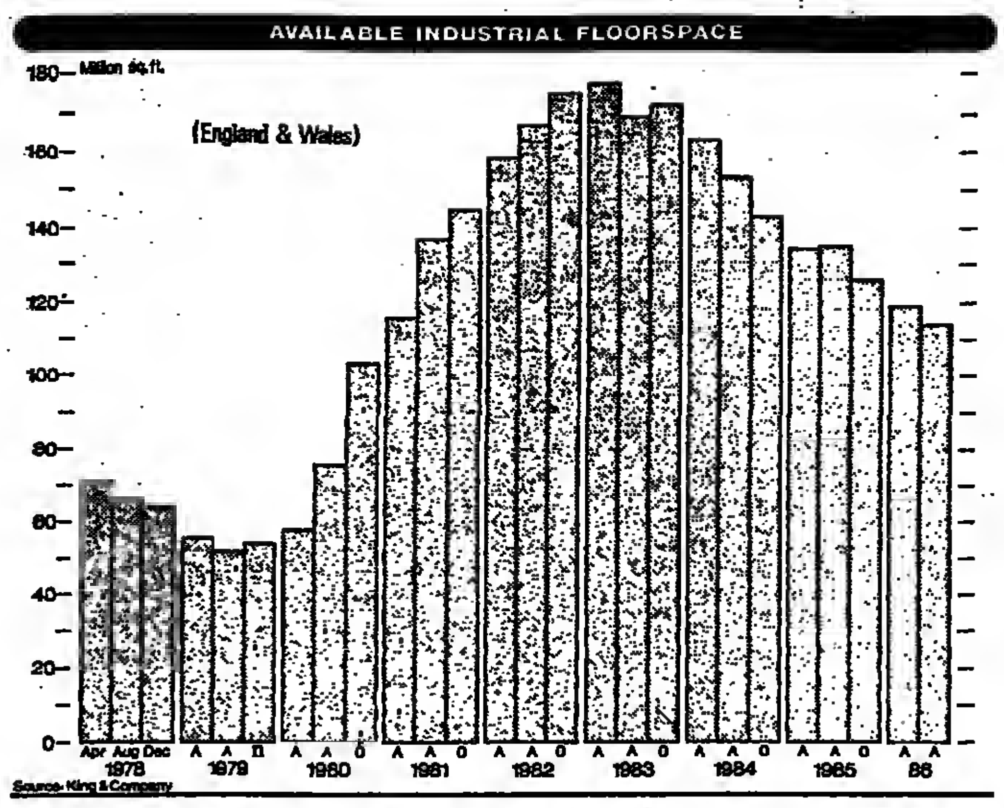
And what is a blue chip? This year has seen Hewlett Packard, balting its fitting out at Waterside Park, in Bracknell, developed by LET, funded by Wyndham Investments, and sold in July for more than £14m to Sbell Pensions Trust.

IBM-Roim also confirmed its withdrawal from headquarters development plans at Swindon, moving instead under the parent company's wing to Havant, in Hampshire.

Hi-tech occnpiers have clearly been shaken by the recession in their bome base ot Silicon Valley, California, and other high technology centres in the US.

Yet, at the same time, other companies in the information technology business bavc been making major owned-occopier property investments in the UK. Maybe another year will tell where demand is really going in this bigh pressure subsector of the industrial property market.

AVAILABLE INDUSTRIAL FLOORSPACE



Source: King & Company

Hywel Jones (top) and Heinz Wolff: predicting the future needs of industrial tenants

CONTENTS

Trends

Producing the tools for living

HI-TECH was on the up and up last year but now, late in 1986, it is beginning to look like discarded packaging in the industrial property market. Will business parks go the samc way or do they represent a serious, consumer-led change in commercial property?

The television presenter Prof. Heinz Wolff, who describes himaelf as e bio-technician, addressed some of these points last month when he spoke at the inauguration of Watchmoor Park, London and Metropolitan's ambitious 420,000 sq ft business park near Camberley, Surrey.

Best-known for television series such as The Great Egg Race and computer advertisements, and actively involved in the European space programme, Prof. Wolff emphasised the need for business-science parks. He called them the lynch-pin of the high-technology and science-based industries.

These buildings would, be said, have to produce the "tools for living"—"intelligent" prodncts that would facilitata work for this and future generations, especially those using the silicon chip and compnter technology.

Prof Wolff emphasised tha importance of communications in these parks, both in their location close to transport routes and in a crossflow of information between tenants and research centres, such as universities, so that the maximum benefit would be gained from the knowledge acquired.

He believes that the parks shonld become eientific communities like universities and not merely glorified industrial estates.

A broader but in some ways similar brush was wielded by the economist Hywel Jones eight months earlier in a presentation on demographic trends and their effect on property for the College of Estate Management Property Conference 1986.

Hywel Jones, one of the youngest-ever economics lecturers at Oxford University, is a well-known speaker on economic issues and business strategy. As head of the Henley Research Centre be predicted in 1985 the renaissance of industrial rents which has led to the recent recovery of industrial property as an investment medium.

He left the Henley Research Centre early this year to form his own economics consultancy, H. G. Jones and Associates, who have been appointed consultants to agents Richard Ellis.

In February he said there was little reason to believe that the process of deurbanisation—in the sense of the decline of the old-established agglomerations—would be reversed before the end of this century, so Prof Wolff'a support for the motorway-orianted business park seems well based.

Mr Jones points out privately that deurbanisation, as he defines it, bas been going on since the 1930s.

In February, however, he added that the demise of manufactnring industry is not inevitable—and that some of the derelict industrial properties may well be associated with a degree of renaissance in the 1990s.

Mr Jones does not see himself as an oracle. "It would be daft to forget the conventional wisdom that manufacturing has a pretty gloomy future in this country," ba said.

But be felt it necessary to remind his andience that UK industry endured e rough shakeont in 1979 and, in many cases, is now up to world standards of productivity; that its competitiveness, marketing strategy and management could also be improved; and that light industry would perbeps take over where beavy industry was left to not the relatively prosperons parts of the country.

W.C

Industrial Property 2

Views of investment, development and some key markets

Impetus moves to business parks

A YEAR AGO, *high-tech* was high fashion in the institutional property investment market; but the glamour faded before 1986 was more than a few months old.

Observers had seen well over £1m an acre paid for land at the Heathrow end of the Western Corridor. Some developments, notably in hot-spots like Bracknell, visibly skimped on the basics in an attempt to maximisa the profits.

Developments were carried *out on backland, or infill sites*; threw away the principle of low-density site cover; and cut back on car parking. These days, though there bas been and still is excellent high-tech development, it is not the institutional buzz word that it used to be.

Mr Angus McIntosh, head of research at Healey and Baker, noted this last April in tha company's book, The Workplace Revolution. "In some cases," he said, "property investors have been over-enthusiastic about investing in these loose-fit quasi-industrial buildings where the extent and certainty of rental growth is more difficult to predict than for offices."

The UK situation also reflects the 1985 shake-out in Silicon Valley, the Santa Clara county, California, home of high-tech electronics. This left US companies in the information technology and related electronics industries extremely cautious about their international property requirements.

Hewlett Packard has stopped fitting out Waterside Park, London and Edinburgh Trust's much-praised campus development at Bracknell, Berkshire, while it reviews the situation. Other companies in the oil, oil service and oil products industries are also being cautious after the drastic fall in crude oil prices.

The development impetus bas moved, in name, to business parks. Typically comprising flexible, relatively high-specification developments designed to rent at between local industrial and office values, they sound like a more sober form of high tech.

Fletcher King's Mr Brian Waldy recognised this in an October 1986 report which said that business parks have shaken off their novelty image and that investment yields on this type of development, and on high tech property in general have fallen relative to other types of property, indicating that they are considered less risky than they were.

Mr Waldy noted that the costs of building a high-tech or business park are likely to be as much as 36 per cent higher than that of developing a traditional industrial estate. This would be before accounting for the fitting out and additional servicing costs and extra expense on landscaping.

Even so, the future looks bright for industrial developers, says Mr Waldy. The London Stock Exchange concurs with Arlington Securities, the specialist business park developer, riding high in the market after a highly successful flotation six months ago.

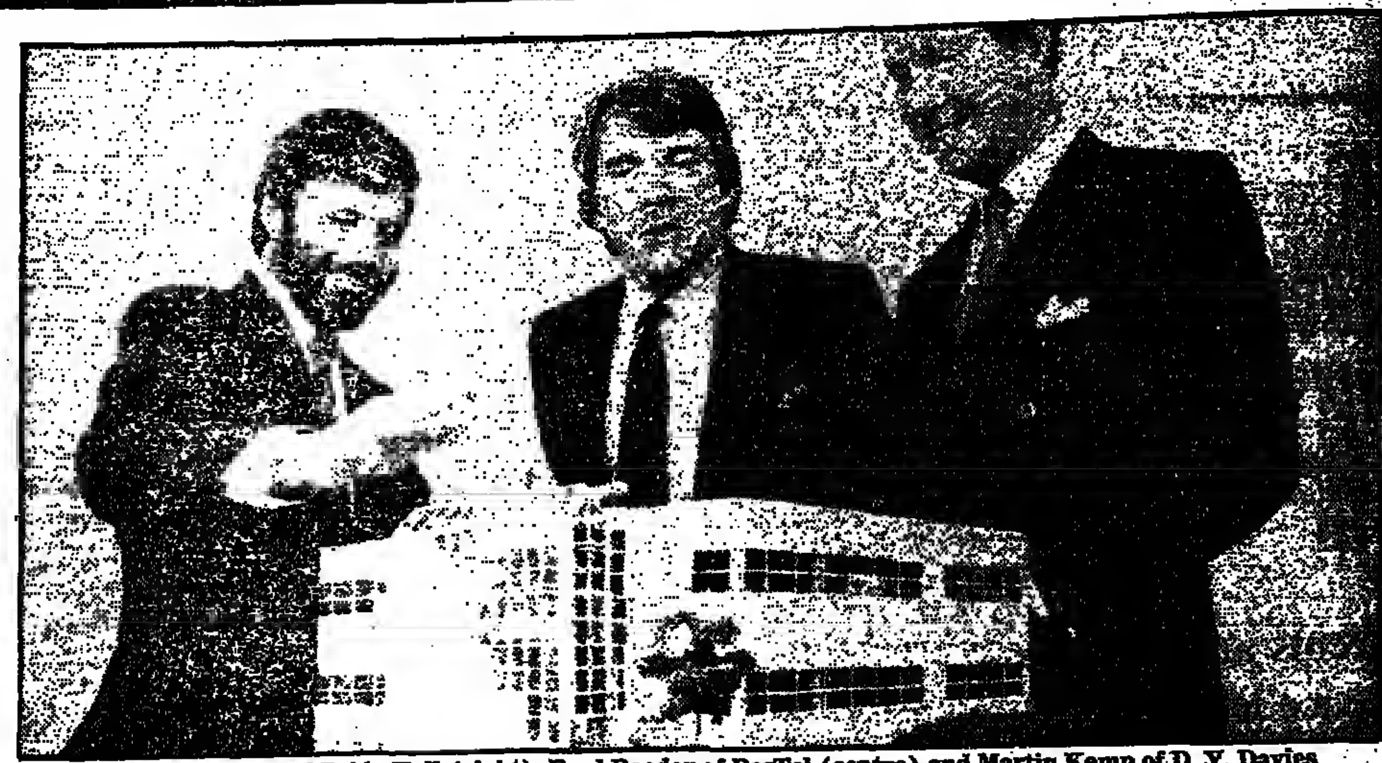
Meanwhile, Mr Chris Kershaw, an associate et St Quintin, asked in the firm's October 1986 market commentary whether the conventional "shed" building was on its way out.

"Inquiries from consumers are at a very high level," he said. He noted the shortage of well-located space across the range of floor areas—"5,000 to 150,000 sq ft, from tha conventional low office content 'shed' to tha so-called 'mid tech' high office content unit."

Like other observers, St Quintin noted the occupiers' demand for freeholds. Companies were seeking the freedom to become their own landlords, to escape rent reviews, to use *buildings as they wished and* to be able to realise capital from their property asset in future, said Mr Kershaw.

Whether this trend will continue, with interest rates recently on the way up instead of down, remains to ba seen.

William Cochrane



Danny Desmond of Bride Hall (right), Fred Reeder of PosTel (centre) and Martin Kemp of D. Y. Davies inspect a model of Park One, Bracknell

Harlow

Motorways ease new town blues

DESIGNATED A New Town in 1947, Harlow has suffered in recent years from its reputation as a manufacturing centre with relatively unattractive housing, too far from Heathrow Airport to share the recent lure for high-tech developers of towns near the north-west sector of the M25 like Watford or Welwyn Garden City.

That is beginning to change, bowever. A recent study of prospects for the M11 corridor underlined the fact that Harlow, north of the M25 and on the M11 between London and Cambridge, was on a north-to-south axis which included Stansted Airport, not to mention the recreational attractions of Epping Forest.

Michael Breheny, Douglas Hart and Peter Hall, who prepared the report for property professionals Derrick, Wade and Walters, said that the M11 corridor's attractiveness to *future high-tech* companies was demonstrated last year wben the multinational International Telephone and Telegrapb decided to build its European research beadquarters in Harlow. The £7m project, on 3.3 acres, will provide 65,000 to 80,000 sq *ft on four floors*.

The influence of the M25 should not be ignored, however. Michael Cleall of Jones Lang Wootton says thet industrial investment in Harlow is rising with interest in the town generally, but that the completion of the M25—*especially* the two sections which allow a straight run to Heathrow—will be important to the town's development.

"Yon can get here in an bour from Slough and less than that from Heathrow," he says, noting that two years ago industrial land values were only £150,000 an acre on the Pinnacles industrial estate just west of the town centre. "You would pay over £300,000 an acre today for a quasi-hi-tech site," be says.

People respond to that sort of performance, he adds. He *notes keen developers' interest* in buying sites on Pinnacles West, 42 acres of land which has planning consent for factories and warehouses. One concern has already bought six acres with the option on a further six for speculative development.

Meanwhile, tha Commission for the New Towns has decided that the time is right to go up-market in a big way. They and Jones Lang Wootton have just put an application for a 55-acre business park, to be called the Harlow Business Park, on land adjacent to Pinnecles West.

The premium on land values is not wbet one would get in the western stretches of the M25 wbere agents Hillier Parker, a year ago, estimeted that hi-tech use would double the price of the land. In Harlow it might currently put it up from £250,000 to £300,000 plus.

"In Slough there is a massive differential between office rents at £16 a foot and industrial at £5. Hi-tech may make £12 a sq ft, which is more than twice tha shed level," says Mr Cleall.

Harlow, on the other hand, bas not recently established demand or rents for new office development on any scale. There has been no letting of hi-tech property, *says Mr Cleall*, because there has not been any hi-tech speculative building.

He estimates that £7.75 is a reasonable level at which to pitcb the rent for offices. Since Haslemere Estates has been getting £4 per sq ft *for* good quality industrial space on the Pinnacles East estate he estimates that hi-tech, or flexible, business park style accommodation would currently rate a rental level of £6 to £6.50.

William Cochrane

Bracknell

Land price leaves critics gasping

BRACKNELL Berkshire, has seen some of the highest "industrial" land values in the country, reflecting its location near Heathrow Airport and its reputation as the heart of high-technology industry in the UK.

Even so, some critics gasped a year ago when Mr Danny Desmond's Bride Hall, backed by PosTel, paid £22m for 37 acres in the centre of Bracknell's commercial area a little over a year ago.

They noted that only 22 acres of the site were fit for development, leaving a net land price of £1m an acre without the benefit of even *outline planning permission*. The development partners advised by joint agents Bernard Thorpe and Partners and Debenham Tewson and Chinnocks, have held the site for a year and also made a contribution to the roads.

But last July, Bride Hall and PosTel obtained outline permission for a £90m, 650,000 sq ft business park. They named it Park One and announced the first phase of 130,000 sq ft in four speculative low-rise air-conditioned buildings fronting the A329(M) which links Bracknell with the M4 and Reading.

They expected a high proportion of the 650,000 sq ft total to be purpose-built accommodation, however, and proved their point less than three months later.

Nixdorf Computer, founded in West Germany and one of Europe's leading minicomputer manufacturers, said in mid-October that it had agreed in principle to build 300,000 sq ft of buildings—described by observers as a "headquarters complex." The first two blocks of the new complex, comprising about 200,000 sq ft, are expected to be completed in the autumn of 1988.

The estimated value of the park, according to reports, rose to £100m after this deal. But there were other estimates that the sale of some eight acres to Nixdorf for the project at more *than £10m*, or *about £1.2m* an acre, was netting a land profit of £500,000 an acre for the development team.

Somehow the idea has got around that 30 acres of the park were fit for development, leaving an original land cost of £700,000 an acre. Bride Hall founder Mr Danny Desmond denies this, however.

First, he points out, the Nixdorf deal is not a case of one investor simply selling to another. A development group is selling what will be a purpose-built finished product to an owner-occupier, so a lot more than a land deal is involved.

"Bride Hall is the product manager and there will be stage payments at various times in the development cycle. The site value will merely be the first of these."

William Cochrane

West Midlands

Market on the turn

THE *industrial* market has turned in some provincial areas such as the *West Midlands*, Britain's manufacturing heartland. The region suffered disproportionately from recession, bot rents, which dipped between 1979 and 1984, are now keeping pace with inflation.

Most letting incentives such as offers of a free Jaguar or a luxury holiday in Spain are a thing of the past. But the tenant offering a good covenant might still extract some concessions.

Rents of up to £2.50 a sq ft for new, medium-sized factories are still inadequate to encourage speculative development. Smaller units under 2,000 sq ft that might command about £3 a sq ft, or schemes with exceptional sites are the ones to gain institutional backing.

The developers might not be active, but nor are they selling their land. It is a question of watching for the opportunities and waiting for the market to move. Mr Freddie Dyer, senior partner of agents Colliers Bigwood and Bewlay, points to the *150-acre* schema by Arlington Securities on perhaps the best site in the West Midlands, near the National Exhibition Centre, as tha one that might set the pace.

"We need some movement in rents to bring forward the new projects to meet shortfalls that are emerging. Arlington's development will be breaking new ground in low-density, quality and attention to the requirements of the high-tech company.

The market in general is better balanced between demand and supply. Thare are still hundreds of thousands of square feet of factories suitable only for the bulldozer, but the excess of space able to show e commercial return has been mopped up. Developers have refurbished and split the old blocks. Tenants have snapped up freeholds on their factories to control costs.

There are also emerging shortages of sites of 10 acres or more, though there is ready availability of half to one-acre plots. Local authorities such as Birmingham City Council are assembling and servicing sites. Last week the city opened the 60-acre Woodgate Business Park. With easy access to the motorway network, Woodgate offers sites from one to 20 acres, and building for new-technology companies.

Arthur Smith

Welwyn

Big plots come cheaper

"THE THING to remember," says John *Thorogood* of Stimpsons in Welwyn Garden City, "is that over four to five acres you're going to get a discount."

Typically, he says, land values are quoted for small lots; the land which interests the big occupier, or developer, is likely to come a lot cheaper.

Jimmy Gulliver's Presto retailing operation, he notes, paid £2.4m for a regional distribution site of 11.3 acres in the middle to end of last year. "Now they've got 205,000 sq ft on it," he says. That works out at s little over £200,000 an acre.

Standard values are better than that, and getting better still, says Andrew Burt of Jones Lang Wootton. "Two years ago straight industrial land was going for *just under £250,000*; now it is £300,000 to £325,000.

It may be that environment is more talked about than paid for; what links Welwyn and *Harlow* is that they have both been separated in motoring time from Heathrow by the last two *links* of the *M25*, now completed. It will be interesting to see what happens next.

Meanwhile, Allied Dunbar Property Funds and Hunting Gate Developments, advised by Jones Lang Wootton and Gooch and Wagstaff, have the first building coming out of the ground on their Shire Park business park development in the City.

The whole 61-acre site was owned by ICI, for which the development team is building a divisional headquarters of *160,000 sq ft for its* petrochemicals and plastics operations.

The next really big development came last August when the partners announced that they had *sold* 10.75 acres to DEC (Digital Equipment Company) at Shire Park with outline planning permission for 198,000 sq ft of offices and product development space.

Once again the plans for the 80,000 sq ft first-phase building seem to put DEC on the fine margin between industrial and pure office space.

"On that basis we're looking for £8 to £9 for hi-tech," says Mr Burt.

William Cochrane

Fig. 1. The Acorn

Fig. 2. The English Oak

We can help a business grow whatever stage it's at.

Over the last fifty years we've grown into the largest developers of commercial and industrial property in England.

And with that experience behind us, we can confidently say that whether a business is starting up, well established, or branching out, we've got just the property to help it grow.

So far we have planted over 38 million sq.ft. of property in our plot, at more than 500 locations throughout the country.

As a Government agency we help to stimulate economic activity and create employment where private developers do not wish to venture.

At present there are 113,000 people working in our properties.

In fact last year alone more than 1,600 businesses moved in with us.

Which we think is a clear indication of our success.

We carefully design our properties to provide ideal working environments and construct them to the highest specification to ensure lasting quality and reliability.

We offer a wider range of properties than any other developer in the country.

Factories for manufacturing, service, warehousing and distribution. Workshops for the small or starter business. Modern and efficient offices. High-Tech properties for new technology business. As well as craft workshops and craft homes in rural areas.

We can custom build properties, individually designed for specific needs, and will also manage privately financed building projects.

Our experience and expertise have enabled us to undertake the complete redevelopment of the former Royal Navy Dockyard at Chatham in Kent.

When completed, this will provide offices, new homes, High-Tech premises and a leisure complex.

But our service doesn't end when the building does. We continue to do everything we can to help the businesses in our care to flourish.

In fact, no other developer in England can offer such solid support to help businesses grow.

ENGLISH ESTATES
The Developing Agency

English Estates, St. George's House, Kingsway, Team Valley, Gateshead, Tyne & Wear NE11 0NA

Industrial Property 4

Use Classes

Flexibility to order

THREE YEARS ago, this survey discussed the sustained pressure on the Government to revise the Town and County Planning (Use Classes) Order 1972.

Mr Richard Cresswell, of the planning and development department of Cluttons, recalls that radical reform of the legal powers available to local planning authorities, had been made patently necessary. The 1972 Order, he says, could not keep abreast of market developments, especially hi-tech office/industrial schemes with their hybrid and unorthodox blend of uses.

Early next year a new Use Classes Order should be brought into force. The Government set things in motion in mid 1985. By last summer, after a report from the Property Advisory Group—through which the property industry advises the authorities—it had published a consultation paper.

The paper's proposed merger of Classes II (offices) and III (light industry) into a new business use class, is the move which attracted most interest, said Mr Cresswell.

The agents Richard Ellis discussed the reasons for the projected changes, and their potential effects on the market, in their quarterly investment bulletin in October.

They noted changing tenant demands, reflecting the desire for maximum flexibility and resulting from a number of market characteristics, including:

- Higher standards required in the working environment;
- Higher profiles and market *image of occupiers;*
- Expansion of the computer and electronic sectors;
- Preference for out-of-town locations;
- The need for interchangeability of functions between office, research and development and manufacturing/assembly operations.

"These needs have been accommodated in the market in a range of new style developments," says Ellis. "They include high-tech buildings, business parks, science parks, research parks, office parks and campus-style developments. In some cases these terms have developed to meet planning requirements as well as being used as marketing tools to improve the image of the development . . ."

The difficulty in identifying the precise use of the occupier of this type of development, say Richard Ellis, has undoubtedly caused investors to approach the neo-industrial sector with caution.

Implementation of the consultation papers' proposals will give much more flexibility to the occupier. On investment, say Ellis, where developers and institutions provide or own properties of accommodating the new business class, sustained demand should lead to continuing growth in this sector.

They believe that a more flexible occupation of commercial buildings will reduce the possible effects of depreciation and obsolescence — meaning, presumably, that the occupier will move more often, thus allowing more scope for the owner to bring the property up to date.

The proposals could have a significant impact on some town centres, hastening the decentralisation of the traditional office market to out-of-town sites which allow greater flexibility of design and accessibility as well as an improved environment.

The big new developers, like Mr Stuart Lipton of Stockley Park and Broadgate fame, have already noted the possibilities outside congested town centres like Reading, near the M4, where out-of-town sites are looking more and more attractive.

Ellis say that on property values, interpretation of the new classes and their inter-relationship will cause confusion in the short term. "Specific valuation problems will arise in relation to interpretation of rent reviews, user clauses and the wording of planning consents on existing properties, subject, of course, to the location and specification of the building," they add.

Ellis think that the investment market may see a fundamental readjustment of relative yields of office, industrial and high-tech properties, with a knock-on effect on site values and an impact that varies according to location.

Some of that has already happened around the M25, with a differential between office and industrial rents as high as £10 per square foot to the west of London and industrial land values doubling with permission for mixed-up development. The difference is sometimes between £500,000 and £1m an acre.

North-east of London the differential may be £4 per square foot, the mixed-use market totally untested, and the premium for a higher office content roughly £50,000 an acre on a base of £250,000.

On the valuation of the completed properties, Ellis note a current yield gap of over 2 percentage points between prima provincial office yields and industrial yields. They say that the gap should narrow for properties in the new business class.

"The growth expectations from an out-of-town office park and high-tech campus-style development in the same location are likely to be similar and the yield levels should reflect this," they say.

"This may lead to a fall in high-tech yields to below 7 per cent, while prima industrial yields may reduce to below 8 per cent."

Assuming that existing workshop accommodation falls within the new business class, say Ellis, demand for this type of property should increase with the potential to secure full office use.

William Cochrane

PLANNING USE CLASSES

Present		Proposed
	*Shops for the sale of hot food, tripe, pets, cats-meat or motor vehicles	New retail class
Class I	Other shops for the sale of goods by retail (including "retail warehouses)	New retail class
Class I	Heirdressers, undertakers, travel and ticket agencies, post offices, receivers of goods to be washed, cleaned or repaired	New retail class
	*Other "retail services"	New retail class
Class II	Banks, building societies, estate and employment agencies	New retail class
Class II	Professional services to the public (eg solicitors)	New retail class
Class II	Other offices	New business class
Class III	Light Industry	New business class
Class IV	General Industry	General industrial building class
Classes V-IX	Special Industry	Special industrial classes
Class X	Warehouses	Werehousing class
Class XI	Hotels etc	New residential institutions class
Class XII	Residential schools and colleges	New residential institutions class
Class XIV	Hospitals and homes	New residential institutions class
	*Hostels	New residential institutions class
	*Non-residential education and training	New non-residential institutions class
Class XV	Clinics, health centres etc	New non-residential institutions class
Class XVI	Museums, public halls etc	New non-residential institutions class
Class XIII	Places of worship	New assembly and leisure
Class XVII	Theatres, cinemas, concert halls etc	New assembly and leisure
Class XVIII	Dance and sports halls, baths etc	New assembly and leisure
	*Other indoor and outdoor sports and leisure uses	New assembly and leisure
	*Dwellings	New private residence class
	*Small businesses at home	New private residence class
	*Communal housing of elderly and handicapped	New private residence class
	*Retail sales on open land	New open lend class
	*Light industry on open land	New open land class
	*General industry on open land	New open land class

Source: Cluttons

* Uses marked with an asterisk are currently not classified.

Comparative Building Costs

	Specification	Cost £ per sq ft
Warehouse	Eaves height 24 ft. Metal wallcladding, lightweight roof. 10 per cent offices at ground floor. One car space per 1,000 sq ft	21
Industrial	Eaves height 21 ft. Brick walls lightweight roof 20 per cent offices on two floors. 1 car space per 500 sq ft	24
Light Industrial	Eaves height 21 ft. Brick and glazed walls lightweight roof. 35 per cent offices on two floors. One car space per 300 sq ft	33
High Tech	Two-storey. Brick and glazed walls, lightweight roof. 11 ft ground floor, 7ft 6 ins first floor. One car space per 250 sq ft	44
High Tech (air conditioned)	Two-storey. Brick and glazed walls, lightweight roof. 11 ft ground floor, 7 ft 6ins first floor. One car space per 250 sq ft	52

All for typical 20,000 sq ft institutional standard unit built speculatively with tenants to fit out warehouse or production space in South-East England.

Source: Gardiner and Theobald

Companies

Image can be critical to survival

IMAGE IS again becoming important among UK industrial property companies.

Slough Estates, the largest industrial property group in Britain, is one of the most likely candidates to benefit from the upturn in property activity in the prosperous south-east. Its mixture of solid earnings, institutional support and a dynamic approach injected by management changes are the pillars of its popularity.

"Slough is revitalised" says Mr Nick Hunter Jones, property specialist with stockbrokers Quilter Goodison. "It now has a fresh approach and is beginning to make land perform again by maximising existing blocks of assets."

"Should planning regulations change and permit light industrial land to be used for office development, Slough will have amazing potential."

The group's strengths are in the western corridor and its potential moves into other commercial property than industry. Some of its overseas interests are out of step with its UK performance, however. Canadian operations are viewed as "very sensible with no surprises and no shocks" but the entire US side is handled by a small-scale unit with a Chicago base "which is less exciting than it looks."

Mr Will Bartin, of Scrimgeour Vickers, feels Slough's fortunes will take off in 1987 as rental and dealing income improve substantially. Profits are estimated at £55m and earnings at 15½p per share. The company, its competitors and the market place all view Slough's future as bright.

While Slough might be the epitome of a new aggressive breed of industrial entrepreneurs, the case of Percy Bilton is more complex and its future more uncertain.

Bilton is generally viewed as "dull" or "boring" and considered a likely takeover target (possibly by Arlington or Brixton). Yet the group was historically aggressive, building the first fully air-conditioned flats in the UK.

The group built an investment portfolio of nearly 7m sq ft with virtually no short-term debt. Its problems started with the retirement of Mr Bryn Turner Samuels, managing director, heavy losses on housing, institutional concern at the management of the group, the retirement of founder Percy Bilton and adverse publicity over a winding-up order for a disputed £552.99.

By 1980, its industrial rental growth was considered vulnerable to the recession although profits and dividend managed to inch ahead. The death of Percy Bilton in December 1982 was followed by rumours of a Barrat takeover and an unsuccessful Trust Securities bid. Annual profits were touching £10m but the group was still considered "unexciting."

The scent of another bid emerged earlier this year when Clayform revealed that it had built a 3.5 per cent stake.

Scrimgeour sees the group's share price as "too far ahead of events." Bilton has raised the freehold content of its portfolio to more than 90 per cent and its attention has switched to developing new and existing sites as investments. Borrowing now represents a major drag on earnings.

Its current developments include a 14,000 sq ft addition to an estate in Greenford (pre-let); 46,000 sq ft of industrial space in Isleworth (80 per cent let); redevelopment of 15 acres in Portsmouth; 57,000 sq ft of small industrial units in North Harbour Cosham; 250,000 sq ft on a 16 acre site at Leatherhead; and further office and retail units planned in Hounslow and Macclesfield.

Brixton, another leading industrial property company, is also heavily shrouded in takeover speculation. Its industrial side is considered less successful than Slough or Bilton and its efforts overseas have not been rewarding. Few doubt the ability of the group's management but wonder at its chances to break into new, adventurous developments.

Its Finsbury Square development in the City boosted net assets by more than 12 per cent last year and the management, and City analysts, are eagerly waiting to see if a similar coup can be staged soon. Business park developments of 250,000 sq ft are due for completion this year at Egham, Heathrow and Regents Park Road.

Brixton realises that its image *is critical to its survival* and *is* intent on fostering a new aggressive appearance. Its fear, and that of many other industrial groups, is that it may not survive long enough to implement it.

Arlington Securities is synonymous with business parks: therein lies the appeal and the danger.

It effectively created the business park concept in Britain in the early 1980s. By targeting UK subsidiaries of American multinationals, Arlington has given the client what it is used to: high-quality campus-style accommodation, similar or even superior to their property in the US.

The concept of shipping American property techniques across tha Atlantic is not new. What *is* surprising is the early lead Arlington has built up in this field and the commanding position it is likely to enjoy for tha next three to five years.

The formula has proved highly successful with institutional investors, lured by the blue-chip corporate names prepared to occupy large amounts of spaca.

A substantial land bank, primarily in south-east England, has been built up with an emphasis on sites close to motorway junctions and prime commercial centres. This will guarantee a succession of developments well into the next decade. Arlington's high share price is out of step with much of the property sector because of this projected wealth of income over the next 10 years.

One city analyst suggests that 160p to 170p (compared with its current 210) would be a more realistic price because the group is not really an industrial developer but a more straightforward land developer.

Arlington has refined the business park formula but is still on a learning curve elsewhere. Its land bank is viewed in some quarters as a possible albatross if business park demand slumps and land values decline.

Analysts see the time as ripe for the company to capitalise on its high share price by a major asset acquisition campaign funded by its own paper. Arlington's possible targets include Bilton (valued at about £115m) or Brixton (£130m).

Its acquisition-hungry imaga has been heightened by Mr Robert Maxwell's purchase of an 11 per cent stake in the group. Mr Maxwell's growth-by-acquisition doctrine could open the floodgates for Arlington's own diversification.

Paul Hannon

Supply

Space eroded in patches

TWO Britains: that isa tempting way to consider the market for basic warehouses. And there is a degree of truth in it. Supply is certainly at its tightest in the South East, but the abundance of a couple of years ago throughout tha rest of the country has diminished.

That again needs to be qualified. While the supply of modern accommodation in the Edinburgh region is slimming, there is a totally different picture in, for example, Skelmersdale, where the Commission of New Towns is having difficulty disposing of anything.

It seems clear that, especially in the south-east supply is beginning to dry up because development has been sluggish.

Demand has not gone up. "It is the supply that has tightened," suggested Mr Paul Winter of Goddard and Smith. "Stocks have been run down because developers stopped developing. High-tech has mopped np the supply of land availahle for industrials."

Mr Chris Kershaw of St Quentin agreed. "Functional warehouse and light prodnction buildings were, to a larga extent, ignored.

"It is not difficult to see why. With institutions looking at industrial portfolio performanca over the last six years, a market hangover with unlet space remaining available for long periods, there was little inclination to increase investment in traditional industrial and warehouse properties."

The way in whicb supply has tightened is evident in figures amassed for the Thames Valley by agents Campbell Gordon. They show that in the 18 months to last June there was a take-up of 2.245m sq ft of units with an office content of up to 25 per cent. That was for new floorspace.

But in the near future, running through to the end of 1987, Campbell Gordon expects only 636,400 sq ft to become available, well under current take-up levels. The agents classify this as a sector of opportunity but warn that "It is in competition with the secondhand market where very cheap space can be obtained."

L. S. Vail of Southampton started worrying about the declining development rate of industrial and warehouse parks in Hampshire, Berkshire and Surrey a year ago. Now "the position has become acute," Vail reported.

"Belatedly it seems that funding interest is reviving in such

Stocks have dried up through lack of development

schemes and yields are fining down to close to 8 per cent, but there is an urgent need for more development. Our six-monthly industrial survey in June revealed the lowest stock for a decade with 3.57m sq ft of factories and warebouses available.

"Since then tha figure has declined still further." Vail estimated.

That is ona Britain. Bnt in Scotland, for example, the picture is more mixed. Stocks of modern accommodation bave been run down in the Edinburgh area, but there are incentives to take up space not far away in Livingston New Town, reported Kenneth Ryden of Edinburgh.

On the outlying industrial estetes in East Lothian, Midlothian and West Lothian, the market is improving but rents sbout half those in Edinburgh.

Ryden expects private developers to return to the market, but then puts in the rub. "There is still a large gap between the present rental values slightly in excess of 2 a sq ft and the rental of 2.85 required to justify economic development."

One problem that has cropped up here is a lack of flexibility in leasing arrangements. "It is clear that the industrial estates which are suffering worst are those wbere properties are held on ground leases from local anthorities, who tend to be obstructive in allowing assignations or sub-lettings . . ." Ryden commented.

But Aberdeen, hurt by the reduction in oil prices, has seen not only a negligible amount of new accommodation let in the last six months but also an increasing amount of secondhand units coming on to the market.

However, said Ryden, "Many of these buildings were designed to mid-70s standards with poor insulation, limited office accommodation and no yard-space, and tenants often find them unsuitable."

In the north of England much of the industrial accommodation "is out of town, and there are often vacancies because of bankruptices," said Mr Graeme Elliot, vice-chairman of Slough Estates, the country's biggest industrial property developer. "There is little rental growth. The only improvement is in the growth of occupancy. So we are unlikely to go out and buy land."

An example Slough Estates quote is Chester, scarcely the most depressed town in the country. Although the industrial area is on the wrong side of town relative to the motorways, asking rent is the same as in 1983.

In total then, the picture emerges of higher take-up but not necessarily of higher rental values. It seems clear, however, that the supply of warehouses is less than the supply of factories.

Some evidence of this has come from a survey of industrial voids, published earlier this year by Hillier Parker. Defining a void as a property which is not income-producing in terms of value, it calculated on the basis of a survey of 40 funds with industrial property worth approaching 1.5bn, the void rate in factories was twice that of warehouses at 4.1 per cent compared with 2.0 per cent.

Hillier Parker also found that the general void rate south of a line drawn from the Severn to tha Wash was half of that to the north.

Clearly the rate at which vacant accommodation fills, the amount of rents achieved and the way in which developers respond to any shortage of space is tied up with the general economic situation. That must especially be the casa in the regions outside the south-east.

Inside tha south-east the prospects probably look best for new developments of warehouse space, most notably in the retail sector. In general, noted Mr Elliott, "there is little demand for old-style buildings."

This suggests that, as he put it, "it is a more viable prospect to redevelop than refurbish."

But land prices have moved up, drawn by the scamper into high-tech developments. There is evidence that this process is tapering off and that industrial land values are moving up to meet declining high tech land values.

But prices are still so high that developers are being forced carefully to examine ways of maximising their original land investment. And that will not necessarily mean pntting up basic shed.

Paul Cheeseright

Design

Cutting through the confusion

SINCE ITS earliest days, high-tech property has been the subject of confusion and misunderstanding based on very different ways of looking at it; it has also evolved—mostly for the better.

It began life, says architect Brian Waters, es an interior designer label, and then became the industrial developer'a voguish label of the day—"the equivalent of the residential neo-Georgian."

That early, highly superficial view resulted in umpteen bright green corrugated sheds springing up, complete with studded rubber insides, tinted glass and "honest" services on the outside. But they often would not let. Having fostered the jargon and the aesthetics, agents could not then daliver the tenants for what was a building type not obviously designed for any particular purpose.

Happily, the property market has caught up with itself and has largely come to realise that what high-tech is really ebout in terms of design is flexibility of use. Mr Richard Mais, joint managing director of Beacontrea Estates, certainly sees it these terms.

"In essence, it should offer the tenant space in such a form that it may be adapted for many alternative uses with the minimum of disruption or inconvenience," be says.

It must also have basic elements setting it apart from ordinary factories: raised floors, a high level of electrical installation with a stable and reliabla power supply.

Mr John Ellis, a consultant, agrees on the need for flexibility and suggests a modular approach to the design of floors, ceilings and windows as well as partitions. In addition, the wire and cable management in the furtniture must be compatible with that of the floor box outlets.

The choice of materials for fittings, fixtures and furnishings should be based on their anti-static and non-reflecting qualities.

It is important not to forget the human element, even down to the car parking requirements of managers who may reject a job offer unless they can park the BMW immediately outside their place of work. This can have significant implications in terms of landscaping and other amenities.

In these conservation-mindad deys it is also important to consider the potential of old and historic buildings in terms of conversion to modern industrial or other uses.

The building surveying division of Drivers Jonas bases it refurbishment philosophy on bringing obsoleta and obsolescent properties np to new construction standards frequently with the user remaining in occupation throughout. The approach is to repair, strengthen and protect the existing structure from future corrosion, then renew the envelope.

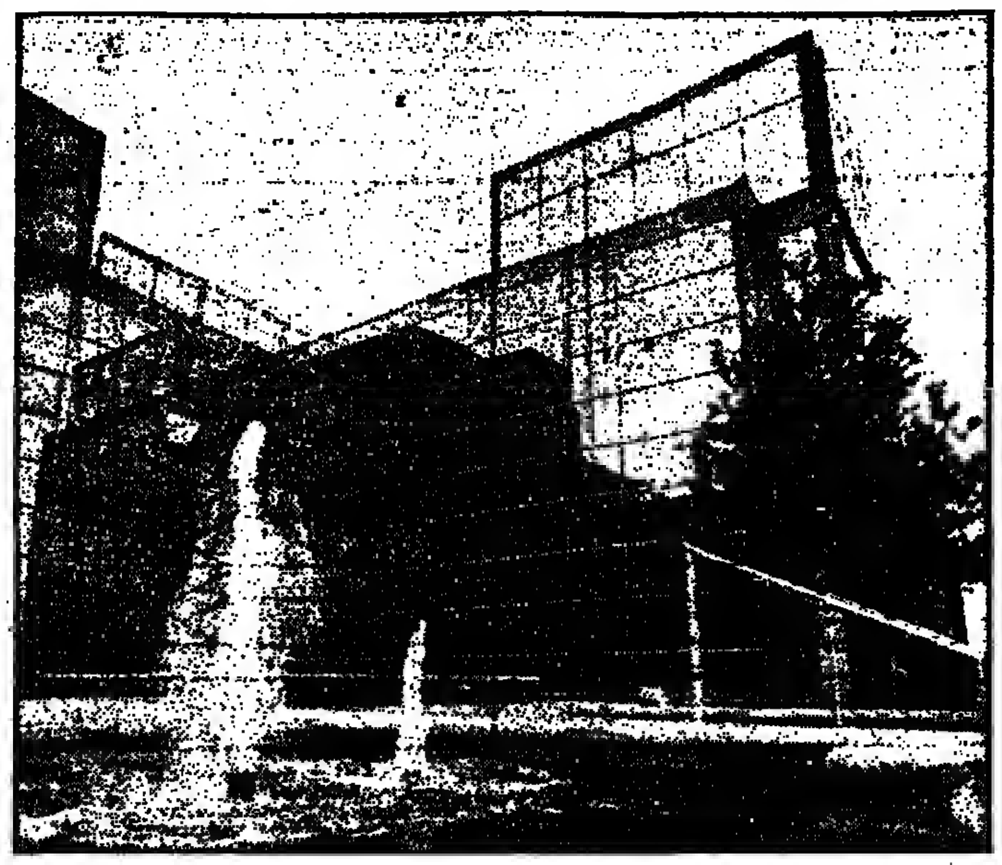
This is done by cladding roofs and wells with a new double skin, metal profiled sheetings, incorporating high levels of thermal insuletion and covered in low-maintenance durable coatings.

Windows are double-glazed and doors insulated. Then the interiors and servicaa are modernised to the users' exact requirements. Drivers Jonas estimate the cost of this work at £80 to £120 per sq metre (excluding services) compared with new build costs of £200 to £300 sq metre. Although not without disruption, it is less than the case with relocetion and thera are also advantages in terms of planning and building controls.

When it comes to historic buildings, the problems become far more challenging because of the absence of suitable construction techniques. Steel Framing Systems, a company recently formed to manufacture under licence a ranga of lightweight load-bearing steel frames, believes it has an answer.

The main advantage claimed for the new system is that internal load-bearing walls and floors become homogenous and abla to be easily modified, altered and replaced, unlike traditional timber studs which must be fixed. The combined live and dead loads are transmitted as distributed loads through all the sections and heavy point loading is eliminated, leading to foundation simplification.

Mira Bar Hillel



More office than industry: GRE's Cascades high-tech scheme in Bracknell

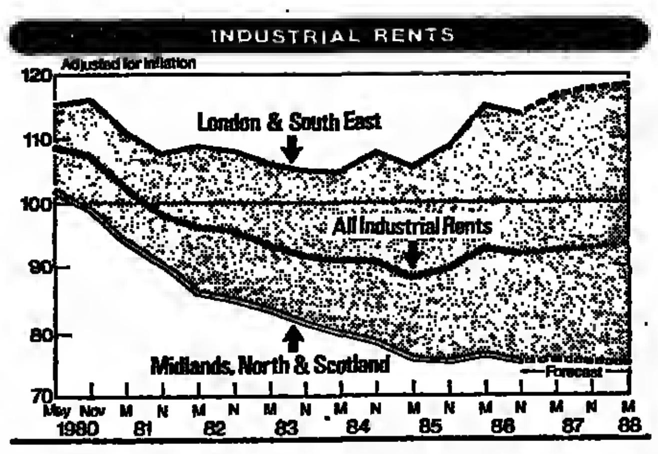
Out of the grave

IF INDUSTRIAL landlords decide to adopt a patron saint, Lazarus should be an automatic choice after this year's revival in the market. Rent levels may not yet have floated clear of the grave dug by the recession, but they have at least struggled two arms and a leg out of the hole.

Real growth in returns are being seen for the first time this decade, and the signs are that rents will continue to rise over tha next couple of years.

This will bounce them out of a slide which agents Hillier Parker say reached a low point early last year some 12 per cent below a base point measured in 1977. Provisional estimates by the agents show average levels are now some five points higher than that nadir.

Behind tha recovery is tha erosion of tha massive surplus of industrial space that built up as the recession bit. Tenants are now having to pay more for the reasonable space that is left. They are not helped by the way new development dried up during the rental collapse.



This dearth of development means that even at low rates of economic expansion, industry will bring supply and demand further into balance and provide the pressure for real growth in rents, even in relatively depressed areas such as the bigger towns of the Midlands.

But it is in tha economic power house of tha south-east that tha most substantial increases will continue. Mr Chris Kershaw, of St Quintin, points out that industrial rents in some centres could grow faster than returns on offices.

Hillier Parker bas predicted a real increase of 1 to 2 per cent in south-east rents over the next two years and an overall performance that will match inflation. This will reverberate through the investment market, hardening yields and raising the values of some tired looking investments.

It could even draw institutions back into development of more traditional property, particularly as they are getting the flutters about the wisdom of delving into overheated high-tech prices.

David Lawson

High-tech

Clouds of caution gather

CLOUDS OVER high technology developments have started to merge with the greyer shades of autumn. It has become clear that demand is not high enough to sustain a strong upwards movement in rents. Players in the game are much more cautious than a year ago.

This is a difficult area not least because of the problems of defining just what high-tech property is. The main factor is that the buildings are constructed to high standards — more like an office than a shed — and can be used flexibly, according to the needs of the occupant.

Generally they will have a high pure office content, often about 50 per cent, but basically they are places where a company can produce, display and administer. The buildings are likely to be in landscaped surroundings and they are usually amply provided with car parking — not perhaps as much as an office but more than for a solely industrial property.

The area in which high-tech developments are situated is likely to have good housing with access to leisure facilities in local towns. Workers are generally white collar.

The difficulty is that developers have been piling into this new market and there is evidence of over-supply.

It is not that the whole business is about to collapse, simply that it is not growing fast enough to keep up with previous heady expectations which pushed up land prices. And the phenomenon has been relatively narrowly based.

"There are fairly specific areas where speculative high technology development has taken place, especially around Bracknell, Slough, Crawley and Cambridge. There has not been a widespread impact," says Mr William Webb in a report by agents Fuller Peiser.

In spite of the activity of the past two years, there is only a small percentage of takers from the electronics sector for high technology developments, added Mr Paul Winter of Godard and Smith.

"Land values have been running ahead of achievable rental performance. Something has to give somewhere," says Sir Nigel Mobbs, chairman of Slough Estates, which at the beginning of this year had 1.8m sq ft of largely industrial property under construction.

As an indication of how the land values have been moving up, Mr Winter recalled that two years ago Goddard and Smith bought industrial land at £400,000 an acre in the Reading area. Recently Reading Council offered land to the company at £850,000 an acre.

What seems to be giving way are the land values, as rents stabilise. Fuller Peiser noted that land prices had begun to approach and even go above £1m an acre in the prime locations with investment yields below under 7 per cent. Mr Webb now believes that this will start to tail off.

"Due to the recent site acquisition activity, we believe that high-tech land values will stabilise and, unless in prime locations, fall from previously high levels as financial institutions take a more cautious approach to speculative development for the coming year."

The reasons are not hard to find. The amount of space on the market is such that rental returns are being depressed, making them less attractive than, for example, in retail property. In the favoured Thames Valley, for instance, agent Campbell Gordon shows that for units with 50 per cent or more of office accommodation, the take-up in the first half of the year was 1.594m sq ft. But the supply, running through to the end of next year, is calculated at more than 4.8m sq ft — around three times recent take-up levels.

"Two years ago the supply of such space was limited, and the increase in supply is due to the market responding to demand—rememb..., rents have jumped," says Mr Ian Campbell.

But the argument about oversupply cannot be pushed too far, in the view of Mr Webb. "There are a number of developments inappropriately located which will undoubtedly prove difficult to let, buoyant market or otherwise," he says.

"These buildings are catering for a specialist and unique demand sector and the buildings are often not merely treated as production units but also as places to project a corporate image."

And there are going to be difficulties in letting high-tech buildings where they are "in-fill developments," says Mr Roger Carey, development director of Slough Estates. It is the corporate image point again. In these cases, he said, "the aesthetics are wrong."

Rental levels are tricky to make judgments about, as like cannot often be compared with like. But it seems to be accepted that the £9.70 a sq ft paid by Hewlett Packard for space on the London & Edinburgh Trust development at Waterside Park, Bracknell, is a sort of benchmark.

But it has not done much for the confidence of the market that Hewlett Packard has suspended fitting out the property, even though that probably has more to do with commercial conditions in the US than anything else.

Although Grosvenor Properties hopes to let a new development at Randalls Research Park, Leatherhead, at £10 per sq ft when completed in February, other recent lettings have been less than the Waterside Park level.

At Manor Royal, Crawley, the asking rent for a London & Metropolitan Estates development has been £8.50. At Sunbury Cross Centre, Toshiba Information Systems is paying £7.50 a sq ft for Sunrise 1, a Sheraton Securities development. Rents of about £9 a sq ft have been obtained by Beacontree Estates and Edger Investments for properties at Bracknell and near Heathrow Airport.

On average, according to Fuller Peiser, rental growth this year has been less than 10 per cent, compared with 14 per cent in 1985, and is likely to slow further until the supply of buildings on the market subsides.

The key thing for the immediate future is location. "The letting market has been reasonably good for those developments correctly located," observed Herring Son and Daw. There seems no reason to suppose that the M25 and its radial motorways, especially the M4 and M3, will lose in the near future their favoured status.

The south-east will remain the dominant area, it seems, in spite of developments in Scotland and in northern centres like Telford, where Brighouse Brick and Mountleigh have just completed Telspace Development.

Paul Cheeseright

Cornish tin

How crisis reshaped a mining strategy

BY STEFAN WAGSTYL

ONE THOUSAND feet underground miners with rock drills are trying to carve out a future for the Cornish tin industry. The bits scream as they bite into the granite to create the shafts and tunnels needed for the 1990s.

This work at the two surviving mines in the far south-west corner of England is the 2,000-year-old industry's last chance. Backed by government aid, Wheal Jane and South Crofty mines, run by a subsidiary of Rio Tinto-Zinc, the international mining, energy and industrial group, have to make profits when the investment programme is complete—or shut down.

Brian Calver, the managing director, says bluntly that all he has won is a breathing space. But for government aid, the two mines would have closed this summer after tin prices plunged in the wake of the tin market crisis.

At the heart of his programme lies a significant development in mine management, which has been central to the base metals industry in the 1980s. Put simply, a combination of low real metal prices and high real interest rates has forced many companies to give far less consideration than before to long-term asset growth and far more to short-term profitability and cash flow.

A similar change in direction has been forced on the oil industry in the past year. And there are parallels in other industries where the management of capital assets is important, notably in property.

Mining engineers have long been schooled in putting a high priority on the long life of a mine so that it may typically be operated profitably for 30 or more years. Conventional wisdom has been to combine productive mining of ore with the continuous development of new parts of an ore-body which may not be mined for several years.

Managers have also been trained not to "high-grade" a deposit—that is pick out the best ore, leaving lower-grade metal-bearing material in the ground. Instead, they have been urged to mine high- and low-grade ore together so that the mine-life is not cut short.

This tendency to think long-term was reinforced in the 1970s by inflation which encouraged companies to invest in assets in the ground—by developing new mines or extending existing ones—rather than exploit them rapidly to earn fast-depreciating cash.

In the 1980s, falling base metal prices and high real interest rates have forced mining companies to change tack, in order to survive. In most base metals the financial pressures prompting change have grown steadily as prices slipped from their 1980 peaks. In tin they were held back by the price-support activities of the International Tin Council — until its demise in October 1985.

Investment

Calver, a tough-talking mining engineer in his early 40s who started his career in Africa, says: "We have been used to maximising asset values in this industry. Perhaps we need to think more about profits and cash flow."

At some base metal mines, companies have been forced to cut *all* investment spending in order to survive—in effect cutting short the life of the mine.

At others, investment has become far more cost-conscious than before with mining companies setting great store by short-term improvements in profitability — most obviously cutting labour costs by increasing mechanisation.

At Carnon, Calver has been treading a difficult path ever since tin prices collapsed in the wake of the tin council's default last year. As prices fell from over £8,500 to under £4,000 a tonne, Carnon plunged into loss and RTZ wrote off its entire investment in the company — £35m. Geevor Tin Mines, the only other Cornish mining group, closed down.

With Carnon at the brink the UK Government agreed to back a £25m cost-cutting investment programme with a £15m interest-free loan and a guarantee on a further £10m borrowed at commercial rates. For its part, RTZ agreed to invest a further £10m to £15m.

Calver's job is to make the best use of these funds. He insists that although investment will now be made with a shorter time-horizon than before there is no question of "ripping the guts out of the mines". Indeed an important part of the programme—and a sine qua non of government support — is investment in the future to 1990 and beyond. But Calver says the whole approach is much more conscious of short-term cost than it was last year when tin was trading at £9,000 a tonne.

The practical results of this thinking at Carnon fall into three stages.

Immediately after prices slumped last October, Calver closed Pendarves and Wheal Maid—two mines in the group which were being mined for development purposes only. "We were planning for 20 to 25 years ahead," says Calver. "It made no sense after October [1985]."

At the same time output at the two production mines—Wheal Jane and South Crofty—was stepped up in order to cut unit costs and staunch losses. The average grade of ore brought to the surface was increased by leaving some low-grade material in the ground. The workforce agreed to wage freezes for 1985 and 1986. Suppliers were persuaded to forgo price increases. Carnon's cost of production dived from £8,700 a tonne in late 1985 to £6,400 a tonne in June 1986.

Some of the savings could not have been sustained for more than a few months. But the effort was enough to convince RTZ headquarters and the Department of Trade and Industry to back the company's long-term modernisation plan which is intended to bring costs down to £5,500 a tonne and to keep them there. Calver started work straight away:

● Production was cut back by temporarily closing most of the antiquated processing plant at South Crofty, reducing output at both mines and sending all the ore through the modern processing plant at Wheal Jane. By running at below capacity the company has minimised losses at a time when tin prices continue to stay below production costs.

● The labour force was cut from 1,100 to 680, starting from the most senior managers. Calver says he began at the top to prove to the workforce that there was no alternative. Most of the cuts were achieved by reducing output, but other jobs were lost by curtailing geological and development work.

● The capital investment programme was largely drawn up in-house by Calver and his senior managers, with help from RTZ technical teams, which advise on group projects throughout the world. The biggest investments are being made at South Crofty, which has richer ore reserves than Wheal Jane but is in dire need of modernisation to improve safety standards as well as efficiency. In the main shaft, equipment dating back 50 years is being stripped out and replaced at a cost of £3.5m. Wooden supports are being replaced by modern steel and concrete.

Carnon is building a decline —that is a roadway for tracked vehicles—from the surface to the bottom of the mine. This will permit the mechanisation of South Crofty, by allowing underground modern wheeled drilling, digging and hauling equipment which is too big to go down a traditional vertical lift shaft. Wheal Jane is already largely mechanised.

Cost-cutting equipment is to be installed on both mines—for example, large water pumping stations, which will work mainly at night making use of cheap-rate electricity, will replace the smaller pumps currently fitted.

New parts of the ore-bodies at both mines are to be opened for mining by extending shafts and tunnels, particularly at South Crofty.

New jobs

Finally, once the underground development is complete, the South Crofty processing plant is to be modernised and re-opened. This would allow production to be increased from about 3,000 tonnes a year during the modernisation programme to a maximum of 5,700 tonnes. At that point some new jobs would be created.

Calver says a central element of the plan is flexibility. The distribution of ore in both mines—particularly at South Crofty—is sufficiently rich and varied for the company to change rates of production and grade according to circumstances. For example, if tin prices suddenly and unexpectedly recovered, output could be increased earlier than planned. Conversely, if prices stayed low after 1988, the company could delay (or even forgo) the modernisation of the South Crofty processing plant.

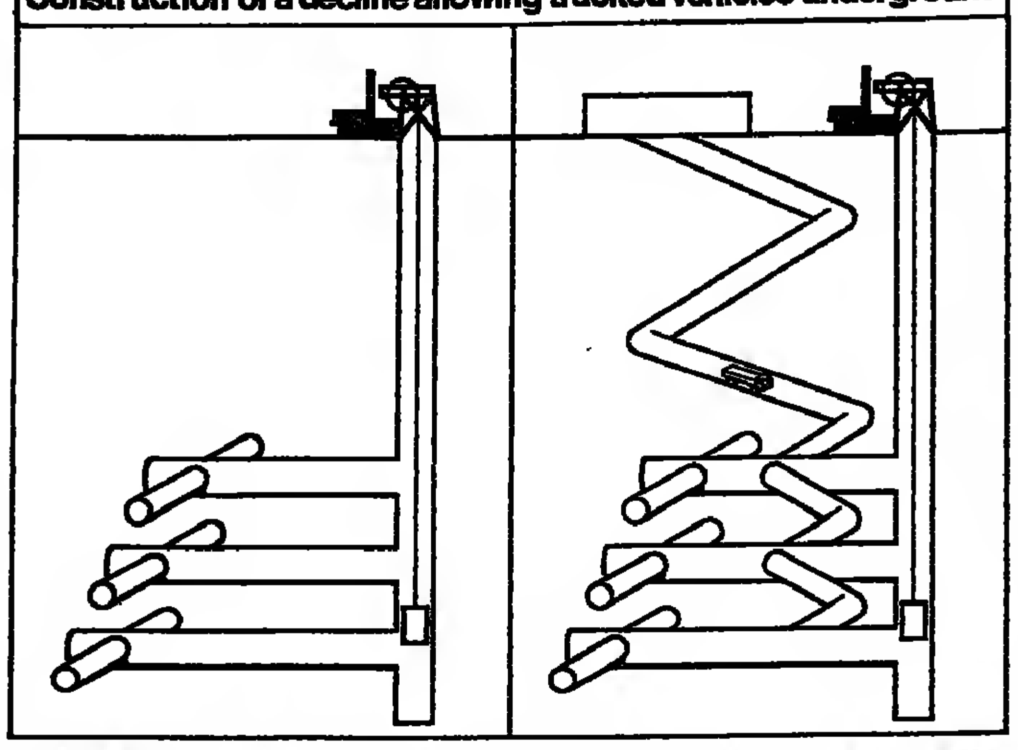
Calver concedes that even with government aid there is no guarantee of success. The risks were high enough for RTZ to refuse to fund the programme itself. Everything depends on whether the company's forecasts of a steady increase in tin prices to about £5,500 a tonne by 1988 and £7,000 a tonne in the mid-1990s turn out to be right.

At £5,500 a tonne production costs would probably be at around the average for Western world tin producers, who ranged between £3,000 and over £10,000 a tonne before the tin crisis broke.

However, as Calver is only too well aware, other producers are also busy cutting costs. While some mines have been forced to close down by the fall in prices others, like Carnon, are determined to hold out in the belief that prices will eventually rise when the stocks overhanging the market are consumed. Moreover some of these companies, again like Carnon, have won government aid to help them survive.

It seems likely that at the end of the day Carnon will still find itself among the world's higher-cost tin producers. Calver says: "We are taking a chance. You tell me what the tin price is going to be and I'll tell you if we'll succeed."

Construction of a decline allowing tracked vehicles underground



Modernisation is taking place at Carnon's South Crofty mine whereby tracked vehicles can negotiate a "decline" from the surface to the bottom of the mine. Previously the only access for such equipment was the vertical lift shaft—which was not big enough to take it

Japanese alliances: in search of reality

BY CHRISTOPHER LORENZ

TELEVISION VIEWERS in the south-east of England were last night treated to a world "first": a direct confrontation between the two opposing schools of thought about whether the rampant fashion for collaboration with Japan is helping or harming the health of western companies.

In one corner was Kenichi Ohmae, the suave Japanese management consultant whose book "Triad Power" has done most to propagate the reassuring doctrine that western and Japanese companies can no longer survive on their own, but must co-operate with each other to their mutual and long-lasting benefit.

Across the ring, arguing the case for extreme caution, was pugnacious Gary Hamel, the London Business School academic whose researches with Yves Doz of the Insead management school and C. K. Prahalad of the University of Michigan have concluded that many alliances are being used by Japanese companies to annexe the skills of their western partners, and to reduce their competitiveness (see this page, October 17).

The contest was organised by Thames TV as part of its continuing Thursday night series on "The Business of Excellence," which is bringing a stream of international management gurus to Britain's screens to debate their ideas with home-grown businesspeople.

Hamel's case was simply put: that many of today's alliances between western and Japanese companies are less complementary and beneficial (to the west) than they look. Most western companies get into collaboration with Japan only out of weakness, while many (if not most) of their stronger Japanese partners are using the relationship to extract the western company's core skills. Such deals are not just collaboration, but *competitive* collaboration, Hamel insisted. Western companies must learn how to do things the Japanese way, and extract valuable skills from their partners rather than giving them away.

Ohmae firmly rejected the argument that Japanese companies are using western alliances in this way, as a stepping stone to still greater heights. Some collaborations do accord with Hamel's thesis, he admitted, in what appeared a significant concession from the arch-advocate of international business brotherhood. But he immediately countered with the allegation that Hamel was basing his case on a few isolated examples; this was just as unfair and misleading, he complained, as arguing that because one nuclear reactor was dangerous, all of them must be.

Given each side's lack of time to present a comprehensive set of research data which would determine which view is correct, it was inevitable that the TV contest would end in a draw. But it did help to clarify several key aspects of this important debate.

By pointing out that collaborations are always difficult to manage to one's advantage whether one's partner is European, American or Japanese, Peter Bonfield, the chairman of Britain's computer industry flagship, ICL, underlined what Hamel, Doz and Prahalad have themselves tried to make crystal clear: that there is nothing anti-Japanese about their argument.

It is self-evident that, in any partnership between competitors, issues of relative power and encroachment are unavoidable. If Japanese partners are gaining the upper hand in many alliances with the west, it is not through any devious means, but via the superior receptivity of their organisations and — by contrast — the difficulty many western companies experience in learning from the Japanese partner, and applying these lessons in practice.

In other words Hamel and Co are not criticising the skills of some companies (mainly Japanese) in using partnerships to their advantage, but the naivety with which many others (mainly western) approach such alliances.

The TV debate also emphasised the point that not every western-Japanese partnership is competitive. Some, where the partners' skills and strategies are purely complementary and likely to remain so, are far less controversial. One case in point (not mentioned on the programme) is the collaboration between Japan's Bridgestone tyre with Bekaert, a Belgian steel cord company.

US BREWING INDUSTRY

William Hall on the sleek performance of the world's biggest brewer

Budweiser goes from strength to strength

MOST DAYS of the week August Busch III, the 48-year-old chief executive of the world's biggest brewer, turns up for work at the family's giant brewery in St Louis, Missouri, just like his father, grandfather and great grandfather did before him.

Trained as a brewer in Germany, Mr Busch, or "Little Augie" as he is sometimes known, still takes his personal tasting of the product of his 11 breweries as seriously as his forebears and outwardly differs from them only in that he flies his own helicopter to work and lands on top of his office at 1 Busch Place.

It is more than a century since the company brewed its first barrel of Budweiser—America's most popular beer—and the company still insists on following the exact instructions laid down by Adolphus Busch, the company's founder. "We know of no brand produced by any other brewer which costs so much to brew and age. Our exclusive Beechwood ageing produces a taste, a smoothness and a drinkability you will find in no other beer at any price," boasts the Budweiser label.

It is a statement that the current Anheuser-Busch management team takes just as seriously as Adolphus Busch did. Indeed, a first time visitor to Anheuser-Busch's headquarters in St Louis could be forgiven for mistaking the company for a rather paternalistic, old-fashioned brewer which had failed to move with the times.

Mr August Busch's 87-year-old father, who is rather confusingly called August Busch jnr, or "Gussie," has retired from the day to day business but still retains the title of honorary chairman and takes a close interest in the company-owned baseball team, the St Louis Cardinals, which plays at Busch Stadium.

The original St Louis Brewhouse, complete with German brewers and lots of Germanic eagles, still produces beer the old fashioned way. The company owns a 100-year-old railroad and takes great pride in its famous Clydesdale horses which it bought to celebrate the repeal of prohibition in 1933.

However, Anheuser-Busch's love affair with its past should not be allowed to disguise the fact that the group is a sleek money making machine which takes as much care about its financial performance as it does about its famous beers.

Twenty-five years ago the company had 9½ per cent of the US market and was facing stiff competition from companies like Stroh and Schlitz, which produced nearly as much beer. By the late 1970s it had increased its market share to around 25 per cent and by the early 1980s its share was up to a third and the company set itself the target of increasing the share to 40 per cent.

This year, Anheuser-Busch expects to sell over 71m barrels of beer giving it 38 per cent of the market and the target has now been upped to a 50 per cent market share sometime in the 1990s. The company already has more than 50 per cent of some important markets like California and is quietly confident that it will achieve its ambitious aim.

Such forecasts from lesser companies might be treated with scorn but given Anheuser-Busch's track record it has to be taken seriously. During a period when US beer consumption has been stagnating, Anheuser-Busch has been posting solid volume gains and is adding new capacity at a time when some of its competitors are mothballing new capacity. When a new 5m barrel brewery in Fort Collins, Colorado, comes on stream in 1988, Anheuser-Busch will be able to produce 80m barrels of beer a year.

To put this figure in perspective, Anheuser-Busch calculates that world beer consumption in 1984 totalled 492.8m barrels.

ANHEUSER-BUSCH COMPANIES

DECADE OF GROWTH

	Output Barrels m	Sales $bn	Net income $m	Return on equity %
1975	35.2	1.6	84.7	15.6
1976	29.1	1.4	55.4	12.1
1977	36.6	1.8	91.9	14.4
1978	41.6	2.3	111.0	16.1
1979	46.2	2.8	196.4	16.9
1980	50.2	3.3	171.8	17.8
1981	54.5	3.8	217.4	19.3
1982	59.1	4.6	287.3	19.9
1983	60.5	6.0	348.0	18.0
1984	64.0	6.5	391.5	18.2
1985	68.0	7.0	443.7	18.9
1986 (est)	71.0	7.6	486.0	na
1987 (est)	74.2	8.2	558.0	na

Source: Company statistics and forecasts by Oppenheimer & Co.

ANHEUSER-BUSCH AND THE COMPETITION
Volume (barrels m)

	1960	1970	1986	Average growth in 1980s
Anhesuer	8.5	22.2	71.0	6.1
Stroh/Schlitz	7.8	18.4	23.1	1.5
Miller	2.4	5.2	37.6	0.2
Heilman	5.5	7.8	16.0	3.2
Coors	1.9	7.3	15.1	1.6
Others	62.4	63.5	15.7	−14.8
Imports	0.9	0.9	8.8	11.5
Total	88.8	125.3	188.1	0.6

Source: Anheuser-Busch

ANHEUSER-BUSCH'S MAIN BRANDS

	Volume % growth	% total
Budweiser	5	65
Budweiser light	20-30	12
Michelob	0	13
Michelob light	10	5
Busch	10	3
Natural light	10	2
Total	7.3	100

Source: Prudential-Bache Securities estimates

Anheuser-Busch's 1986 production of 71m barrels exceeds that of the total industry in every country except West Germany and sales of Budweiser — the most popular of its nine brands — exceed Japan's total beer consumption and the output of every other brewer in the world.

The company's success is particularly unusual in that it is based on the continuing growth of one product — its 110-year-old Budweiser brand — which explains why its ticker symbol on the New York Stock Exchange is Bud. Anheuser-Busch estimates that the Budweiser brand accounts for 60 per cent of its beer production, and despite the maturity of the product sales are still growing at a healthy 4 per cent a year.

Four years ago, the company bowed to the demand from health conscious Americans for a lower calorie beer and introduced Bud Light, which has 25 per cent less calories than its parent. Sales of Bud Light are growing rapidly and together the two Budweiser brands account for around two-thirds of the group's beer volume.

Anheuser-Busch is steadily moving into overseas beer markets, but has so far limited itself to joint ventures and licensing agreements. Its expansion in Continental Europe is hindered by problems over the use of the Budweiser name and, while its beers are doing well in the UK and Japan, the international operations will not make a significant contribution to its bottom line without a major acquisition.

The company tried to buy a Hong Kong brewer recently and it has been mentioned as a possible bidder for UK brewers. But it makes a compelling case that the prices being asked are far too high, given its strict financial criteria.

The company spends heavily on its marketing—not only in total but also on most of its brands—and the average Anheuser-Busch distributor handles more than twice the volume of other wholesalers in the industry. The company lavishes a lot of attention on its wholesalers and does not, for example, short circuit them by dealing direct with national retailing chains. It is very choosy about its wholesalers, many of whom can thank the company for making them millionaires. Anheuser-Busch likes small family businesses rather than big corporations and loyalty to its products is amply rewarded.

Anheuser-Busch strategy has paid off handsomely for shareholders. Its annual report notes that during the first five years of the decade its return on equity was 19 per cent and its compounded average annual return on an investment in the group's stock price appreciation plus dividends was 39 per cent. This compares with a 15 per cent return on the Standard & Poor's 500 index. In the first nine months of this year it boosted earnings per share by 13.8 per cent and the dividends was recently increased by 20 per cent.

August Busch III: taking his beer seriously

Among Wall Street analysts, Anheuser-Busch is a firm favourite. Mr George Thompson, an analyst with Prudential-Bache Securities, describes the company as "the single best fundamental story in the beverage and tobacco area," and Mr Jerry Steinman, editor of Beer Marketing Insights, notes that the group's strong wholesalers and well established brands are backed by "superb management." The company's shares were listed on the London Stock Exchange last month.

Part of the reason why Wall Street is so enamoured of Anheuser-Busch is its ability to achieve its ambitious targets. Mr Jerry Ritter, the chief financial officer and one of Mr August Busch's key lieutenants, says the objective is to increase earnings by between 8 per cent and 12 per cent above the rate of inflation, and to continue to raise the return on capital employed from last year's 11.7 per cent.

The steady rise in the minimum drinking age laws in the US and tougher drunk driving laws have all been blamed for the slowdown in beer consumption from the 3½ per cent per year which was the norm in the 1960s and 1970s, to virtually zero growth in the 1980s. But the major effect of these moves has already been felt in the US beer market and analysts expect consumption to begin accelerating again. The steady drift away from hard liquors is also helping beer sales.

However, despite the company's impressive financial record and ambitious objectives, the company has still not resolved one of the problems which comes with success. Anheuser-Busch is throwing off around $1bn a year in cash and as the capital spending on the Fort Collins brewery tails off next year, the company will have to make some fundamental decisions on what it plans to do with its surplus cash. There were even rumours a year ago that it might be a takeover target.

Anheuser-Busch is already conservatively geared. Its debt to total debt plus equity ratio has fallen from around 43 per cent in 1981-82 to 25.9 per cent last year.

The company has a number of options. It can buy back some of its shares, increase the dividend, reinvest it in the business or diversify. Its expansion into the $8bn a year snack foods business, via its Eagle Snacks subsidiary, is showing promise but other attempts to diversify out of the beer business over the years have not been particularly successful.

THE CHANNEL TUNNEL

Paul Betts on the business challenges confronting the big French bank

Indosuez faces Eurotunnel test

BANQUE INDOSUEZ faces two critical challenges with next summer's Eurotunnel equity placing, and its own privatisation, says Mr Antoine Jeancourt-Galignani, chief executive.

Indosuez is the leading French bank for Eurotunnel's proposed £750m ($528m) share placiog next summer, or equity 3 as it is known in the jargon of the Channel tunnel promoters. Mr Jeancourt-Galignani acknowledges that Indosuez "is taking a risk" and also admits that equity 3 is "a big problem" for the bank, although it is also a key aspect of the bank's strategy to develop its presence in large scale international asset financing.

The internationally orientated bank which is owned by the Suez financial group, bas always had close links with the Channel project. Indeed, after the Banque de Suez was created with compensation from the nationalisation of the Compagnie due Canal de Suez in 1957, the Suez group has always wanted to be involved in a major interoational civil engineering project like a fixed-link across the Channel.

Indosuez was the main Freoch bank in charge of the recently completed £206m international share placing, or equity 2. Mr Jeancourt-Galignani readily admits that it was not the triumph hoped for by the tunnel promoters last summer, bnt it nonetheless was what he calls "a reasonable success."

"Everybody thought last summer it was going to be easy, and the marketing effort to promote the project was relaxed," he explains. In the end, the placing turned into a nail-biting affair for the promoters who found it much barder than they expected to persuade investment institutions to support their cause.

However, the marketing errors of equity 2 are unlikely to be repeated for the much larger public fund raising next summer. The Channel tunnel consortium is putting in place a mnch stronger full-time team to manage the project. Indosuez itself will have as many as seven to 10 bankers fully employed on the next placing, says Mr Jeancourt-Galignani.

However, there remain several important hurdles to be overcome. The first is the political risk factor still attached to the project as long as the Channel Tunnel treaty is not ratified by the British Parliament. The scheme's promoters expect the Treaty to be ratified before the next equity issue is launched. But some of the French partners in the scheme fear that the timetable of ratifications could clearly be seriously undermined if Mrs Thatcher decides to call an early election in the spring.

The other big issue for the French side is the future of the "train à grande vitessa" (TGV) high-speed train link for the tunnel to connect Paris and London directly. Mr Jeancourt-Galignani says it is crucial for the French Government to give its go-ahead for the construction of the new high-speed train link which, according to the French promoters, would increase the profitability of the Channel tunnel by 6-7 per cent.

A third problem involves the geological risks of the project. "The chances that the terrain will be good appear strong. But there is never any absolnte certitude," remarks the Indosuez chief executive. However, be believes that if the Treaty is ratified in time, that work starts on the project soon, and no major geological disasters crop up during coostruction, the project will be a commercial success.

Antoine Jeancourt-Galignani: taking a risk

The other challenge for Indosuez in the next few months is much closer to bome. Mr Jeancourt-Galignani is keen to see Indosuez and the Snez group privatised as soon as possible. Suez and Indosuez were both bitterly disappointed that the Suez group was not chosen in the first batch of privatisation by the conservative government instead of their arch-rival Paribas alongside Saint-Gobain and the AGF insurance group.

Mr Jeancourt-Geliguani claims that Suez would suffer a serious competitive disadvantage vis-a-vis Paribas if it is not to go public soon after its rival. "It would become a handicap if our privatisation were not to he announced at the beginning of next year," he says, suggesting that already there are signs that Paribas is taking advantage of its imminent flotation in its old rivalry with Suez.

After the first three big privatisations of Saint-Gobain, Paribas and AGF and of TF-1, the state television network, of Havas, the state-controlled advertising and media group, and of CGCT, the troubled telecommunications group due to be taken over by a major international telecommunications concern, Suez hopes to be privatised in the second half of next year.

The French finance and economy ministry is expected to announce the second batch of privatisation around February 15. The programme, which is also likely to include Compagnie Generale d'Electricite (CGE), would be launched in the second half of next year. Although the government has been considering the possibility of including one of the big three French commercial banks—Banque National de Paris, Credit Lyonnais or Societe Generale—Mr Jeancourt-Galignani argues that there is no pressing reason to include one of the old nationalised banks at this stage rather than Suez which is in urgent need to be placed on the same competitive footing as Paribas.

However, Mr Jean-Maxime Leveque, the new chairman of Credit Lyonnais and one of the most ardent campaigners against the former Socialist administration's negotiation policies, has been lobbying hard for the early privatisation of his bank.

In the meantime, Indosuez, which recently reported first-half profits of FFr 607m ($92.5m) is closely involved in the flotation of two of the first three big state groups chosen by the Government. It is the third bank for Saint-Gobain and is also co-lead with Societe Generale for AGF as well as advising on the AGF privatisation.

BMW sees good result

BY OUR FINANCIAL STAFF

BMW, the West German motor group, expects satisfactory results in 1986, with car production and sales both likely to be slightly higher than a year earlier.

Nine-month turnover in January-September rose 4.5 per cent to DM 10.83bn ($5.4bn), with car output down slightly at 324,800 cars after 325,700 a year earlier despite full capacity operation at BMW's plants.

The slight decline in production was due to a revamping of production lines to accommodate output of BMW's up-dated "seven series" automobile, which went on sale in the autumn. The new seven series would not make any significant contribution to turnover and profit this year.

Registrations of new BMW cars abroad rose 5 per cent to 233,000 in the nine mouths. US sales were np 7 per cent at 71,000.

The largest increase in BMW's foreign sales came in Japan.

Conti Illi returns to London

BY DAVID LASCELLES, BANKING CORRESPONDENT

CONTINENTAL ILLINOIS, the Chicago bank which had to be rescued by the US Government two years ago, is to re-establish its London-based merchant bank.

The new company, Continental Illinois Limited (CIL) will have capital of $25m and will engage in a selected range of financial services, mainly in capital markets, leasing and trade finance.

Mr William Goodyear, managing director of CIL, said yesterday that "merchant banking is a very difficult proposition in London if you want to be profitable," and because of this the bank would focus only on areas where it could make money.

These include swaps, interest rate products, international cross-border leasing, debt swaps and underwriting of short term floating rate securities.

After it ran into a crisis in 1984, Continental sold its then existing London merchant bank, which was also called CIL.

This page is like your personal computer's potential. Half of it is wasted.

Over the years personal computers have become just that – personal.

All their intelligence and diligence is confined to their own user.

Whether he's a marketing, financial or production manager, or an engineer, departmental attitudes leave each unaware of the others' needs.

And poor company relationships never made a rich company.

That's why ITT aims to get your personnel, and your personal computers working together. Inexpensively.

We'll do this with a system called Office 2000. It simply links up your computers like a telephone network. From then on, no PC will keep itself to itself. It'll be working to the full, sharing its information with every department.

Connections with data bases, mainframes, and electronic mail will be pushing PC's to their utmost capacity. And your staff will be pulling together to make better, and more innovative decisions.

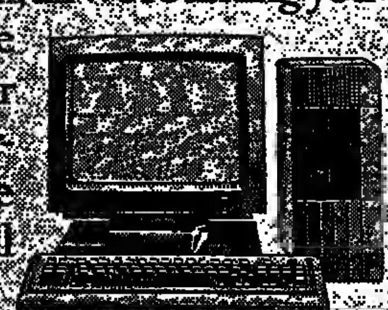
And far from having to throw away any existing equipment, with your company's improved performance, you'll probably be needing more.

That's why Office 2000 provides a whole range of hardware and software with interworking in mind. From digital exchanges to the ITT XTRA™ family of personal computers.

The ITT XTRA XP is just about the fastest PC, so even as a stand alone, it'll boost your personal productivity. Like the rest of the Office 2000 range, it is the result of over a hundred years in communications and information management at ITT.

And the way we've managed to invest $1 billion a year in research and development is proof enough of the resources, and the commitment, to provide a service well into the 21st Century.

Right now though, all we're asking you to invest in is the price of a postage stamp, for our Office 2000 information pack. Unlike your company PCs, it'll give you the full story.



To: Office 2000, ITT Europe, Avenue Louise 480, B-1050 Brussels, Belgium.

Name ______ Title ______

Company ______

Address ______

Tel: ______

OFFICE 2000
INFORMATION MANAGEMENT

ITT

THE PROPERTY MARKET By PAUL CHEESERIGHT

PLANNING

Government fails to stir industry

SIGNIFICANT CHANGES in the planning process, under consideration by the Government, have aroused little response in the property industry. But they could have a profound effect on investment values over the longer term.

So far the Department of the Environment has received no submissions from the industry on "The Future of Development Plans," the consultation paper it published last September.

This paper, if translated into action after the end of the consultation period next March, would scrap county structure plans and replace them with a simple statement of planning policy and confine development plans to district councils.

There would be new provisions for setting up rural conservation areas. The Environment Secretary would provide regional planning guidance after discussion with local planning authorities, thus encouraging the development of organisations like the currently toothless South East Regional Planning Conference.

The aim is greater simplicity—structure plans are seen as too clogged with detail—streamlining and the speeding of the planning process.

This approach runs parallel with the changes in the Use Classes Order, anticipated before Christmas and coming into effect in 1987. Such changes would loosen up the categories of use permitted on particular properties.

In short, constraints would be loosened in line with the more general policy of acting to reduce pressures on business.

While developers and owners have been concerned and vocal about the Use Classes Order, this is not true about development plans. "You won't find too many people worrying about a change in the planning process," said one chartered surveyor.

This is strange. The planning system is based on constraints—you can do this here but not there, you can construct this or that provided you have permission. The value of property is related to the constraints around it. Development of a shopping centre is more attractive if it is known that there will not be another one for miles.

Because the value of properties is directly related to the planning system, it follows that the removal of constraints in the system allied to a simpler application of it could be a threat to existing investment.

Looser policies thus could be more beneficial to developers than to existing property owners. And developers could find, at least in theory, that business conditions are easier for them if the county level of control over development is removed.

But there is another side to this. If the Government follows through the policies laid down in the consultation paper, the introduction of the new procedures will be flexible and gradual.

There is no improvement here for business, charged Mr Edwin Barrett, chairman of the working committee which is preparing the County Planning Officers Society response to the paper. His reason is that three sets of development plans could be in existence at the same time: some dating back to the first planning exercises after World War II, the present set and the new set.

The Planning Officers will be arguing against the adoption of the paper, although they accept the case that greater speed is needed in the planning procedure. They do not accept that county structure plans are unnecessary.

Similarly, the Town and Country Planning Association and the Royal Town Planning Institute are concerned, in their approach, about the abolition of structure plans. Neither of them believes that there can be any planning coherence on the basis of simple policy statements at county level.

And the Association believes that the procedural problems—the wearisome time it takes for decisions to be made—is at least in part the fault of the central government. "It has taken over so much detail that it's clogging the system. The national-regional balance has gone wrong," said Dr Chris Gossop, the deputy director.

Shopping centre awards for 1986

THE BRITISH Council of Shopping Centres yesterday announced its annual design awards and gave first prizes to the Clayform-Tarmac-Postel Investment consortium for its White Lion Walk development in Guildford and to Lazard Property Unit Trust and Postel Investment for their Queensmere Centre, Slough, refurbishment (pictured left).

The first award was for the small centre category and the second for the refurbishment category.

But the current rush into out-of-town shopping developments took its toll on the major centre award. There were only two entries, reflecting the decline in the number of inner city developments. The Council did not feel justified in giving a prize.

White Lion Walk is on the site of an old Woolworth store. It has 25 units on two levels with a small central atrium.

Queensmere Centre has been transformed from a draughty and utilitarian shopping area, built in 1973, to an enclosed centre which has in the middle a new cafe.

London Labour boroughs bid for industrial portfolio

LONDON'S Labour-controlled boroughs are poised to make a bid of around £40m for what is said to be the largest portfolio of industrial property in the Greater London area.

These properties are the holdings of the defunct Greater London Council, now up for disposal by the London Residuary Body, charged by the Government to dispose of GLC assets.

This foray into the property market will be led by the Greater London Enterprise Board, representing the Association of London Authorities, which is made up of 15 Labour boroughs, plus Tower Hamlets, now controlled by the Alliance.

But the exact size of the bid is not yet known by the boroughs because they do not have a detailed list of all the properties involved. They have nevertheless decided in principle to mount a bid for the whole portfolio.

It is, in fact, a fragmented portfolio, which is the main reason why the Residuary Body would prefer to sell the whole of it in one transaction rather than enter into myriad individual negotiations.

There are 1,500 properties, largely situated in the inner boroughs, often single units, ranging from old factories to small estates still under development. There are, for example, estates of around 20 units going up in Tower Hamlets, Lewisham, Greenwich and further out in Ealing. Each of these estates would provide up to 90 jobs.

But the Labour boroughs will have to hurry. The Residuary Body is already engaged in negotiations with more than one potential buyer for the whole porftolio. One contender is Inner City Enterprises, the private sector consortium, funded by institutions and first registered in 1982 with the aim of promoting inner city regeneration.

The pension funds of the Greenwich, Lambeth and Lewisham boroughs have stakes in Inner City Enterprises. According to the Association of London Authorities, the company approached the boroughs to put up finance so that a joint bid could be made for the GLC portfolio of industrial properties.

The boroughs were none too keen on this because they thought they would have little control over what would be primarily a commercial exercise. They wanted rather to use the portfolio to continue industrial policies — encouragement of workshops and so on—espoused by the old GLC.

So what they now plan is to solicit private capital to sustain their own bid based on their own resources. The fact that the boroughs do not have large capital resources to play with would be met, the Association said, by borrowing from their own pension funds. The loans would be serviced by revenue from the running of the portfolio.

The Enterprise Board is now trying to pull together a package for the boroughs—a process which suits it quite well because that would bring it back into property after a period in which it has had to sell assets to keep afloat.

Auctions

M25
DEVELOPMENT, INVESTMENT AND BREAK-UP OPPORTUNITY

40 ACRES VACANT (Ready for Development)

20 ACRES LET (Producing £148,260 p.a.)

FREEHOLD FOR SALE

Principals and Agents with Named Clients only to apply to
Box T6428, Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY

London World Trade Centre

OFFICE SUITES 270 — 8,600 sq. ft

Available on flexible lease terms

For details contact
Peter Millinship or Keith Sadler
Ivory House,
St Katharine by the Tower E1 9AT
01-488 2400

A MAJOR AUCTION SALE
to be held
1st DECEMBER 1986
87 LOTS
THROUGHOUT THE UK

barnard marcus
01-491 2220

imperial House
IMPERIAL DRIVE
·HARROW·

THE FLEXIBLE AIR-CONDITIONED OFFICE BUILDING..

TO LET

ACCOMMODATION TO SUIT YOUR REQUIREMENTS
ENTIRELY SELF-CONTAINED UNITS RANGING FROM

20,000 TO 80,000 SQ.FT.

SOLE AGENTS:–
Dron & Wright
CHARTERED SURVEYORS
St George's House
12A St George Street, London W1R 9DE
01-491 7332

VAUGHAN INDUSTRIAL ESTATE
-TIPTON-
WEST MIDLANDS
FREEHOLD
40 Acres approx
Income £325,000p.a. approx
Further Substantial Income
Sale Potential
Sale by Tender
all enquiries

Rapleys
1 Maddox Street, London W.1.
01-439 6292

"Part of the greatest expansion in the City's history"

FIVE SUPERB PERIOD OFFICE BUILDINGS FOR SALE FREEHOLD

Bow Court
LONDON
—EC2—

1755sqft – 4105sqft WITH FULL VACANT POSSESSION

JOINT SOLE AGENTS
Chamberlain & Willows
Tel: 01-606 9611

BAKER HARRIS SAUNDERS
01 726 2711

Leeds
freehold Warehouse
— for sale —
37,500sqft
Rapleys
01-439 6292

ECI COMMERCIAL INVESTMENT for Sale. Offers in the region of £750,000. For details contact Henry Davis and Co. 01-588 4433.

Industrial/Warehouse

RARELY AVAILABLE!
HATFIELD ROAD
ST ALBANS, HERTS
6,100 sq ft
LIGHT INDUSTRIAL/OFFICES
Also suitable for variety of other uses, eg motor trade, cash and carry, HQ/distribution etc
FOR SALE FREEHOLD
Contact:
Freeth & Co.
3 London Rd, St Albans
Hertfordshire AL1 1LA
Tel: St Albans (0727) 60016

Shops & Offices

LEATHERHEAD
4,600-18,400 SQ FT
HIGH QUALITY BUSINESS PREMISES TO LET
50% Offices next to M25
Eyles Fellows
Tel: 01-630 9421
(Ref: PB)

LONDON, SW1 — Attractive ground floor period offices 1,350 sq. ft. Close to Parliament, low rent, lease for sale. Tel: 01-385 4813 or 0487 812858.

URGENT REQUIREMENT
PRIME CITY OF LONDON
Modern Office Accomodation
10,000 sq ft
Single floor with car-parking, for occupation early 1987.
Required by major International Finance House.
Details please to:
OWEN OWEN
14 Pall Mall, London SW1Y 5LU
Tel: 01-930 7571

EDWARD SYMMONS & PARTNERS
56/62 Wilton Road London SW1V 1DH
01-834 8454
LONDON MANCHESTER LIVERPOOL BRISTOL

URGENTLY REQUIRED
PROPERTIES SUITABLE FOR CONVERSION TO
NURSING/REST HOMES
(OVER 50 BEDROOMS)
ANYWHERE IN THE UK CONSIDERED
All replies in strict confidence to M. I. Canniford, ARICS

WEST MIDLANDS — 2 Shops producing £8,250 net F.R.I. Leases. Tenants include VISIONHIRE paying £5,250. Reversion/Review from 1990. Price £81,250. Sole Agent The Lionel Mendoza Partnership, 7 Hove Manor Parade, Hove Street, Hove, Sussex, BN3 2DF. Tl: 0273 728868.

LONDON — High quality office close Cannon St. To Let 4,500/9,000 sq. ft. £9 + Immediate Poss. Tel: 01-209 1844 (ref: JL).

London WC1
300 yds Holborn Tube
9,670 sq ft
Open plan office space
All modern amenities
To Let

Weatherall Green & Smith
22 Chancery Lane London WC2A 1LT
01-405 6944

WESTMINSTER TOWER
LONDON S.E.1.
Air Conditioned Offices.
2400 – 4900 sq. ft.
TO LET
ONLY £9.00 per sq. ft.
Healey & Baker
01-628 4361

By Direction of the North East Thames Regional Health Authority
COLCHESTER
An exceptional Freehold Development Site of approx. 12 acres. Adjacent to British Rail Mainline Station.
Outline planning consent for Offices, Residential or Residential/Office use.
FOR SALE BY INFORMAL TENDER ON 28th November 1986

Fenn Wright Spurlings
146 HIGH STREET, COLCHESTER, ESSEX CO1 1PW
TELEPHONE 0206 46161

International Property

FOR SALE BY TENDER
ST. MARTINS CENTRE PERTH, WESTERN AUSTRALIA

St. Martins Centre is a modern office and retail city investment. It is located in the very heart of the central business district of Western Australia's progressive capital city, Perth.

St. Martins Centre comprises 21,489 square metres of prime office space in a 33 level tower, 2,569 square metres of retail shopping in a two level arcade, two cinemas and restaurants and parking for 116 vehicles with dual street frontages to St. George's Terrace and the Hay Street Mall.

Land Area: 3735 square metres. Gross Income approximately A$6.7m.

St. Martins Centre provides excellent prospects for rental growth for the investor who acts now.

The Centre has a strong record of leasing and has maintained an enviable tenant list of major Australian and international companies. At a time when the Australian Federal Government has relaxed its foreign investment regulations, St. Martins Centre is an investment opportunity without equal in the Australian marketplace.

Tenders close 3pm, 1500 hours Western Standard Time, January 28, 1987. A full colour brochure, audio visual presentation and comprehensive investment report are available from the vendor's appointed selling agents.

Richard Ellis
55 Old Broad Street
London, EC2. Telephone (01) 256 6411
Telex 887732 Facsimile: 01 256 8328

Jones Lang Wootton
Kent House, Telegraph Street
Moorgate, London EC2R 7JL.
Telephone (01) 638 6040
Telex 885557 Facsimile: 01 6380 241

WORLD WIDE **Richard Ellis**
International Property Consultants
London House, 214 St. Georges Terrace
Perth Western Australia 6000
Tel: (09) 322 4343 Telex: Elric AA 94879
Facsimile (09) 481 1296

Jones Lang Wootton
International Property Consultants
AMP Building, Floor 20, 140 St. Georges Terrace,
Perth, Western Australia 6000,
Tel: (09) 322 5111. Telex: AA93628.
Facsimile: (09) 481 0107.

Company Notices

ISTITUTO BANCARIO SAN PAOLO DI TORINO
XEU 30 000 000,— 14¼% 1981/1988

Pursuant to the conditions of the loan, Bondholders are hereby informed that the XEU 7,500,000 instalment is redeemable at par on December 3rd, 1986.

As a result of the drawing effected in the presence of Madame Jeanne HOUSSE, Notary Public in Luxembourg, the 7,500 bonds of XEU 1,000 numbered
24923 to 30000
and 1 to 2422
inclusive, will be redeemable, coupon on December 3rd, 1987 and subsequent attached, as from December 3rd, 1986 date at which they will cease to bear interest.

Furthermore, the 15,000 bonds of XEU 1,000, remaining in circulation after this amortisation will be reimbursed coupon on December 3rd, 1987 and subsequent attached, at the price of 100.25%.

The following banks will carry out the redemption and the payment of interests on December 3rd, 1986:

CREDIT LYONNAIS, LUXEMBOURG
BANQUE NATIONALE DE PARIS, PARIS
KREDIETBANK N.V., BRUXELLES
ISTITUTO BANCARIO SAN PAOLO DI TORINO, TORINO

We recall that the following bonds from earlier drawing have not yet been presented for reimbursement:

December 3rd, 1985:
3518 to 3527, 3565, 3598 to 3599, 3630 to 3633, 3743 to 3744, 3761 to 3763, 3807 to 3808, 3909, 4219 to 4221, 4340 to 4341, 4492 to 4493, 4540 to 4551, 4703, 4706 to 4711, 4921 to 4923, 5044 to 5064, 5145 to 5161, 5164 to 5169, 5171 to 5177, 5252 to 5255, 5423 to 5442, 5545 to 5549, 5555 to 5556, 5636 to 5637, 5645 to 5651, 5690 to 5699, 5838 to 5840, 5860 to 5863, 5889 to 5891, 5953, 6128 to 6131, 6264 to 6275, 6615, 6653 to 6654, 6762 to 6767, 6811 to 6817, 6886 to 6889, 7068, 7157 to 7168, 7187 to 7217, 7261, 7281 to 7288, 7295 to 7297, 7299 to 7300, 7407, 7571 to 7590, 7784 to 7785, 8064, 8079 to 8081, 8086 to 8162, 8228 to 8229, 8289 to 8291, 8566, 8585 to 8586, 8589 to 8595, 8610, 8646 to 8650, 8669 to 8689, 8692 to 8697, 8725 to 8727, 8744 to 8783, 8810, 8821 to 8824, 8835 to 8847, 8853 to 8854, 8881 to 8883, 889, 8988 to 8994, 9556 to 9581, 9586 to 9592, 9599, 9710 to 9719, 9762 to 9765, 9832 to 9837, 9870, 10059, 10122 to 10125, 10326 to 10327, 10342, 10353, 10367 to 10368, 10400 to 10406, 10409 to 10418, 10427 to 10432, 10458 to 10462, 10527 to 10529, 10535 to 10542, 10560 to 10564, 10588 to 10589, 10615, 10638 to 10647, 10683 to 10702.

The Fiscal Agent
CREDIT LYONNAIS, LUXEMBOURG

Elders N.V.
U.S.$160,000,000
11⅛ per cent.
Guaranteed Convertible Bonds due 1994
unconditionally guaranteed by, with non-detachable conversion bonds issued by, and with conversion rights into Ordinary Shares of
Elders IXL Limited

Adjustment of Conversion Price

NOTICE is hereby given that following a bonus issue of Ordinary Shares made by Elders IXL Limited at the rate of one share for every three shares held the Conversion Price of the Conversion Bonds has, in accordance with the Trust Deed dated 28th June, 1984 (and as amended by a supplemental Trust Deed dated 4th June 1985), been adjusted from Australian dollars 2.54 to Australian dollars 1.91 with effect from 14th November, 1986.

November, 1986

Swiss Bank Corporation
Principal Paying Agent

NOTICE OF REDEMPTION
European Investment Bank
ECUs25,000,000
10% 1984/99 Bonds

Pursuant to the Terms and Conditions of the Bonds, notice is hereby given to bondholders that ECUs 1,250,000 of the European Investment Bank's 10% ECU payable Bonds of 1999 were purchased for redemption on January 5, 1987.

A drawing by lot will not take place this year.

EUROPEAN INVESTMENT BANK
Luxembourg
November 21, 1986

NOTICE OF PURCHASE
European Investment Bank
Italian Lire 100,000,000,000.-
13.50% BONDS
DUE OCTOBER 21, 1990

NOTICE IS HEREBY GIVEN to bondholders that during the eleven-month period ending October 21, 1986, Lit 4,500,000,000.- have been purchased.

As of October 21, 1986, the principal amount of such Bonds remaining in circulation was Lit 95,500,000,000.-.
Luxembourg, le 21 novembre 1986

EUROPEAN INVESTMENT BANK

PREMIER GROUP HOLDINGS LIMITED
U.S.$50,000,000
Floating Rate Notes due 1989

NOTICE IS HEREBY GIVEN that the Rate of Interest for the First sub-period of Coupon No. 6 has been fixed at 6⅝% p.a. and that the interest payable in respect U.S.$10,000 nominal of the Notes will be U.S.$166-11. This amount will accrue towards the interest payment due May 20, 1987.

November 20, 1986, London CITIBANK, N.A.
(CSSI Dept.), Agent Bank

HONDA MOTOR CO. LIMITED

EUROPEAN DEPOSITARY RECEIPTS ISSUED BY
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

A distribution of $0.37169 per depositary share less any applicable taxes will be payable on or after November 21, 1986 upon presentation of coupon No. 23 at the following offices of Morgan Guaranty Trust Company of New York in:

—Brussels, 35, avenue des Arts
—New York, 30, West Broadway

Net rate:
$0.31594 (after deduction of 15% Japanese withholding tax) + affidavit)
$0.29735 (after deduction of 20% Japanese withholding tax)

Personal

Whatever your opinions — get your facts right!
WHITAKER'S ALMANACK 1987
In your bookshop now — £13.95

Legal Notices

HOLDERS OF
SPERRY CORPORATION
4¼% Convertible Subordinated Debentures Due 1988

THIS IS A NOTICE that is given pursuant to the Indenture, dated as of February 15, 1973 (the "Indenture"), between Sperry Rand Corporation, a Delaware corporation ("Sperry"), and Chemical Bank, a New York corporation, as Trustee (the "Trustee"), regarding the 4¼% Convertible Subordinated Debentures due 1988 issued under the Indenture (the "Debentures"). Sperry, the Trustee, and Burroughs Corporation ("Burroughs") executed a Supplemental Indenture dated as of November 12, 1986 in which Burroughs expressly assumed the due and punctual payment of the principal of and premium, if any, and interest on all Debentures, according to their tenor, and the due and punctual performance of all of the covenants and conditions of the Indenture to be performed by Sperry. On November 13, 1986, Burroughs changed its name to Unisys Corporation.

UNISYS CORPORATION
November 21, 1986

STB ENGINEERING LIMITED

At an Extraordinary General Meeting of the above-named Company, duly convened, and held at Toadsmoor Road, Brimscombe, Stroud, Glos., on 14 November 1986, the following special resolution was duly passed:

"That the Company authorises itself to purchase 56,800 ordinary shares by paying an amount of £150,000 out of the capital reserves of the Company."

The Directors' statutory declaration and the auditors' report are available for inspection at the Company's registered office.

Any creditor of the Company may, within 5 weeks of the resolution apply to the court under Section 176 Companies Act 1985 for an order prohibiting the payment.

M. G. BALLINGER,
Director.

Art Galleries

LEGER, 13, Old Bond St. ANNUAL WATERCOLOUR EXHIBITION. Mon.-Fri. 9.30-5.30. 01-629 3530.

LUMLEY CAZALET, 24, Davies St., W1. 01-499 5058. CHRISTMAS EXHIBITION: Original Prints £20-£500. Until 24 Dec.

OMELL GALLERIES, 43a, Duke Street, St. James's, London, SW1. 01-930 7744. MARINE PAINTING BY BARRY MASON. Mon.-Fri. 9.30-5.30; Sat. 10-1 pm.

RICHARD GREEN, 44, Dover Street, W1. 01-493 3939. WATERCOLOURS BY ARCHIBALD THORBURN. Daily 10-6; Sats. 9.30-12.30.

WILLIAM DRUMMOND'S 200 Watercolours. Christmas Show at Bernheimers, 32, St. George Street, Mayfair, W1.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

CLASSIFIED ADVERTISEMENT RATES

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Commercial & Industrial Property	11.50	39.00
Residential Property	8.00	30.00
Appointments	12.00	41.00
Business, Investment Opportunities	11.50	39.00
Business for Sale/Wanted	11.50	39.00
Personal	9.00	30.00
Motor Cars	9.00	30.00
Holidays & Travel	9.00	30.00
Contracts & Tenders	11.50	39.00
Book Publishers	— net 22.00	

Premium positions available
£8.00 per single column cm extra

All prices exclude VAT

For further details write to
Classified Advertisement Manager
Financial Times
10 Cannon Street, EC4P 4BY

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
21	22	23	24	25	26	27

Exhibitions

BRUSSELS

Ingres and Delacroix – Drawings and Watercolours – Palais des Beaux Arts. Ends Dec 21.

Chinese Porcelain – the Transitional Period. Musée Royale d'Art et Histoire. Ends Dec 14.

Opalescence: glass from 1920-1930. BBL Place Royale. Ends Nov 29.

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 26.

ITALY

Rome: Rome has excelled itself with four highly enjoyable and beautifully presented exhibitions. At the Galleria Nazionale d'Arte Moderna (Viale delle Belle Arti), the rapt, pallid northern beauties of Edward Burne-Jones are drawing surprisingly large crowds. At Palazzo Braschi (Piazza San Pantaleo) Paestum and the Doric Revival – paintings, drawings, engravings and scale models from the years immediately following the rediscovery of the Greek temples in 1750, and its effect on the architecture of such distant cities as Boston and Baltimore, as well as numerous European capitals. At the Braccio di Carlo Magno (Piazza San Pietro) exquisite Mosaici Minuti made in Rome in the late 18th and early 19th centuries, and bought by travellers unable to afford a Canaletto, and at Villa la Farnesina (Via della Lungara 230) a delightful series of engravings on the works of Annibale Carracci mostly inspired by his frescoes in Palazzo Farnese (now the French Embassy in Rome) which fascinated engravers for two centuries after his death in 1609. (Burne-Jones and Paestum and the Doric Revival run until Nov 23; Roman Mosaics and Carracci until Nov 30.

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

Florence: Palazzo Medici-Riccardi: Masterpieces of German Expressionism (1905-1920): Works from private and public collections give a history of what has become a highly fashionable movement with works by Kandinsky, Kirchner, Schiele, Nolde, Klee, and the appalling visions of Otto Dix. Ends Nov 30.

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

Francois Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour, Boucher personified the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sevres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Les Prix de Rome: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureats from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship crowned in the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14. (4230 3457).

Paris Abstrait, 1945-1955: Magnelli's cut-out reminiscent of Braque, a powerful Hartung with his large black strokes against a beige background, Esteve's colourful puzzleand Mathieu's ink-black splotches and smears are glorying in their abstraction. Except for de Stael, whose flowers in dense, dark colours are lit up by orange and mauve. Galerie Natalie Seroussi, 34 rue de Seine. Ends Dec 15. (4256 0924).

Maitres Impressionistes et Modernes: Pissaro's Women with Geese, a country scene shimmering in gentle sunlight, a well-structured Bonnard, a surprisingly poetical Gauguin, two Picassos and a Bonnard, Marquets, Utrillos and a Gris form a counterpoint to an unusually rich collection of sculptures. The perfection of Maillol's small bronzes rejoices the eye, as do Lobo's harmonious feminine shapes and the large composition by Laurens with Cubist overtones. Daniel Malingue gallery, 26 Ave Matignon (4266 6033). Ends Dec 22.

WEST GERMANY

München, Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 22.

Hamburg, Kunstverein Ferdinandstor 1: Frank Auerbach. A series of paintings and drawings for which British artist Frank Auerbach won the Golden Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov. 30.

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

NEW YORK

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

Bravo, Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

Whitney Museum: A retrospective of 168 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 50 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Riccio, and Alessandro Vittoria. Ends Nov 30.

National Gallery: Henri Matisse: The Early Years in Nice 1916-1930, includes 170 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 29.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly-made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

TOKYO

El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

NETHERLANDS

Amsterdam Historical Museum. A collection of 19th-century French drawings and watercolours providing a cross-section of the styles and themes of the period, from the generation of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 5.

Leiden, Singer Museum. Recent graphics by more than 100 Dutch artists. Ends Dec 14.

Haarlem, Frans Hals Museum. In Search of the Golden Age comprises 70 paintings, watercolours and drawings from 1800-1850. Ends Nov 30.

Amsterdam, Historical Museum. The Taste of the Elite focuses on Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 19th century currently taking place in seven Dutch museums. Ends Dec 7.

Amsterdam, Van Gogh Museum. Monet in Holland documents the impressionist's visits to the country at three different stages in his career with 24 canvases painted in Zaandam, Amsterdam and the bulb fields, with related work by French and Dutch contemporaries. Fully illustrated English catalogue. Ends Jan 4.

Rotterdam, Rijksmuseum Land en Volkenkunde. In the Wake of the Liefde presents the intriguing story of cultural relations between Holland and Japan since 1600. Paintings, prints ceramics and furniture highlight the two centuries when the Dutch trading settlement at Deshima was the sole western outpost permitted by the shoguns. Ends Jan 4.

Opera and Ballet

NEW YORK

Metropolitan Opera (Opera House): The week features I Puritani conducted by Richard Bonynge in Sandro Sequi's production with Joan Sutherland, Salvatore Fisichella, Sherrill Milnes and Samuel Ramey; Romeo et Juliette conducted by Placido Domingo with Cecilia Gasdia; Der Rosenkavalier conducted by Jeffrey Tate in Nathaniel Merrill's production with Anna Tomowa-Sintow, Brigitte Fassbaender, Taro Ichihara and Gottfried Hornik; and Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The company's 85th season continues with 15 repertory programs including Ballanchine classics like *Concerto Barocco* and *Tziganem*, before five weeks of The Nutcracker. Lincoln Center (870 5570).

Next Wave Festival (Brooklyn Academy of Music): David Gordon's whimsical choreography, seen in the American Ballet Theater and Dance Theater of Harlem, is the focus of the work with his own Pick Up Co., doing a world and local premiere (718 636 4100).

VIENNA

Staatsoper: Luisa Miller conducted by Guadagno with Ricciarelli; Il Barbiere di Sivigila conducted by Weikert; Die Entführung aus dem Serail conducted by Weikert with Wise, Watson, Stroux, Moser, Zednik. (51 444/26 55).

Volksoper: Polenblut; Der Opernball; Der Wildschütz; Der Mantel/Gianni Schicchi; Orpheus in der Unterwelt. (51 444/26 57).

LONDON

Royal Opera, Covent Garden: The new production of Jenufa marks Bernard Haitink's arrival as music director-designate. Yury Lyubimov is the producer, and the cast is led by Ashley Putnam, and Eva Randova. The revival of Die Zauberflöte is notable for the first London Tamino of Siegfried Jerusalem.

English National Opera, *Coliseum*: A new production of Carmen by David Pountney, conducted by Mark Elder, has Sally Burgess in the title role for the first time. Other works in the ENO repertory are the new production of Cav & Pag, not unsuccessfully removed from Sicily to Lawrentian Nottinghamshire; the beautifully sung revival of Britten's Rape of Lucretia, with Jean Rigby, Russell Smythe, Anthony Rolfe Johnson and Kathryn Harries; and Jonathan Miller's non-Japanese Mikado, with Eric Idle as Ko-Ko.

SPAIN

Barcelona: Götterdämmerung (The Twilight of the Gods) part of the Ring of The Nibelungs. Orchestra conducted by Pinchas Steinberg with Williams Johns, Anthony Raffell, Manfred Schenk, Jeanine Altmeyer, Sabine Haas, Yvonne Minton and Joszef Dene. Gran Teatre del Liceu, La Rambla 65. (318 91 22). (Tue and Thur).

WEST GERMANY

Berlin, Deutsche Oper: Aida has Ilona Tokody in the title role for the first time. Oberon is offered with Janis Martin, Ruthild Engert, Gerd Brenneis and Barry McDaniel. Der Fliegende Holländer has fine interpretations by Janis Martin, Martti Talvela and Theo Adam. Also in the repertory: Zar and Zimmermann and Eugen Onegin.

Hamburg, Staatsoper: Der fliegende Holländer stars Robert Hale and Lisbeth Balslev. Adolf Dresen's controversial production of Die Verkaufte Braut takes the leads Linda Plech and Kurt Schreibmeyer. Manon Lescaut is steered to triumph by Mara Zampieri, Rachel Joselson and Lando Bartolini.

Frankfurt Opera: Natalia Troitskaya's masterly Amelia leads a strong cast in Ein Maskenball. Der Freischütz has Beatrice Niehoff, Barbara Bonney and Walter Raffeiner. The new Siegfried production by Ruth Berghaus has William Cochran, giving his first Siegfried in Frankfurt and Catarina . Ligendza brilliant as Brünnhilde. Orpheus in der Unterwelt and Eugen Onegin *round off* the week.

Cologne Opera: Schönberg's rarely played Moses and Aron features Siegfried Haertel and Günter Neumann. Zar and Zimmermann is a well done repertoire performance with *Marianne Hirsti*, Eva Tamassy and Ulrich Hielscher. Madame Butterfly has Hiroko Nishida splendid in the title role.

München, Bayerische Staatsoper: Tannhäuser is an event of more than passing interest with Nadine Secunde, Ute Vinzing, René Kollo and Kurt Moll. Also Wolfgang Sawallisch conducting Il Tabarro/Gianni Schicchi in Tito Gobbi's productions with Julia Varady, Cornelio Murgu, Astrid Varnay and Rolando Panerai. Adriana Lecouvreur starring Natalia Troitskaya, Hanna Schwarz and Giacomo Aragall and *Die Lustigen Weiber von Windsor.*

NETHERLANDS

Amsterdam, Muziektheater. Netherlands Opera production of Der Kreiderkreis by Alexander von Zemlinsky, directed by Herbert Wernicke. The Hague Philharmonic conducted by Stefan Soltesz, with Stella Kleindienst, Hebe Dijkstra, Maarten Flipse and René Claassen (Tue, Thur). (255 455).

Scheveningen, Circus Theatre, Nederlands Dans Theater with the world première of a ballet by José Limon, Hans van Manen's Ballet Scenes, Jiri Kylian's Silent Cries, and Jardi Tancat by Nacho Duato (Thur). (55 88 00).

WASHINGTON

Washington Opera (Opera House): Goya by Gian Carlo Menotti is performed by Placido Domingo, for whom it was written. Using historical fact and romantic fantasy, it recounts the affair between the painter and the Duchess of Alba, the model for the Maja portraits, played by Victoria Vergara, with Karen Huffstodt as her rival, Queen Maria Luisa. Rafael Fruhbeck de Burgos conducts. The week also includes performances of Il Matrimonio Segreto staged by Michael Hampe and the Cologne Opera with Carlos Feller as *Geronimo* and Janice *Hall* as Elisabetta. Arnold Oestman conducts. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: Un Ballo in Maschera is conducted by *Giuseppe* Petane in Sonja Frisell's production with Maria Chiara and Luciano Pavarotti. Edita Gruberova takes the title role and Neil Shicoff sings Edgardo in director Peter. Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras (332 2244).

Theatre

TOKYO

Takarazuka All-Girls' Revue. This phenomenon, the antithesis of Kabuki where all the roles are played by girls but with typical Japanese innocence and earnestness and totally un-camp, is a must for visitors. Takarazuka perform elaborately staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings and huge casts. Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre, near Ginza and main hotels. Afternoon and evening performances. (591 1711).

Dreamgirls: Michael Bennett's Broadway Tony and Grammy Award winning musical. The story of a 1960s female pop group, this is an original production brought to Tokyo by Isetan Department Store and Asahi Television as part of Isetan's centennial celebrations. Kosei Nankin Hall, Shinjuku. (359 2200).

Wind Station, avant-garde play which concludes a compelling and moving trilogy on the theme of the language of silence, by Tenkei Theatre. The best-known Water Station has been seen at many venues outside Japan. Like its predecessors. Wind Station continues the exploration of human communication – particularly relevant to Japanese society. T2 Studio (beyond Ikebukuro) is Tenkei's recently opened theatre converted from an old warehouse. The civilising *amenity of* a theatre bar (rare for Japan), interesting location, cosy space an play without language problems – all promise a rewarding evening. (993 9486).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111; CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast in Ken Ludwig's *fizzing comedy* about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

The Phantom of the Opera (Her Majesty's): Spectacular but *emotionally* nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by *Maria* Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Kafka's Dick (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

When We Are *Married* (Whitehall): Impeccable, joyous revival of an English comic war-horse now with a new cast, but Bill Fraser returning as the tipsy Falstaffian photographer. (930 7765, 839 4455, CC 379 6565/6433).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Continued on Page 25

THE ARTS

Cinema/Nigel Andrews

Temporal passions colour saintly life

Therese (PG) Cannons Swiss Centre and Baker Street
London Film Festival National Film Theatre
Psycho 3 (18) Cannons Haymarket and Oxford Street
Saving Grace (PG) Cannons Tottenham Court Road, Haymarket and Chelsea
Angelos (18) Cannons Piccadilly and Swiss Centre
Running Scared (15) Plaza

Catherine Mouchet (centre) as "Therese"

When Hamlet says to Ophelia, "Get thee to a nunnery," it seems highly respectable advice today. It was less respectable 400 years ago when "nunnery" was a euphemism for brothel. Today, when he hears of a French film set in a nunnery, the excitable filmgoer's mind tends to take a licentious direction similar to Shakespeare's. He is used to nunneries à la Borowczyk, where naughty things can happen at the drop of a snood or wimple.

The wonder of Alain Cavalier's *Therese* is that it follows the course of female passion through *all* the bizarre tributaries into which it may divide after the taking of holy vows. In eustere but incandescent tableaux, Cavalier tells the story of St Therese of Lisieux who died of consumption in 1897, aged 24, and was canonised 30 years later.

When the young heroine (Catherine Mouchet) enters the Carmelite convent to which her two elder sisters already belong, her natural vitality struggles to flow along the narrow channels of religious discipline. She is giggly, she is passionately earnest, she is loving, she is mischievous, she brims with spiritual ambition. "I want to be a saint," she declares: "Pride," answers the Mother Superior crisply.

An older nun comforts her by expressing the long view: "At Carmel the first 30 years are the hardest." For Therese the first 30 months are almost too much. Craving the sublimated passion which will allow her to "fall in love" with Jesus Christ, and mortifying her flesh in contrition for lingering doubts and lapses of faith, she falls ill with tuberculosis and moves towards early death.

Cavalier sets the whole film within austerely stylised open-plan studio sets. The only boundary is a back wall painted grey and vaguely cloud-patterned, like the backdrop in a photographer's studio. Against this the characters bob up in close-ups, in clusters, part of a conspiratorial chamber drama scored for *sotto voce* recitative.

Passion abounds in every guise but the fleshly. (The most carnal scene is that in which two nuns queasily gut fish for the convent dinner.) Sexual love is hinted at only in one nun's devotion to the illicit picture she carries of a past lover, in another nun's unfulfilled lesbian longing for Therese. Elsewhere the film gives us souls at bay against vocational tempests on an inward sea. The scenes are brief *tableaux vivants* set lightning-like between fades to blackness, the sounds have a hallucinatory closeness. (Even the rustle of bedsheets sounds like the murmur of an advancing storm.) And the performances have a fine, often thrilling intensity: they give a human pulse to a film about the spiritual life which never neglects that that life may—indeed must—have its first roots in temporal passions.

★

Therese, as well as opening in the West End, has popped up at the London Film Festival. This event is still going strong at the National Film Theatre, where it runs until November 30. Indeed in the ten days' viewing to come offers a flood-tide of films (80 or so), suggesting as always with the LFF that some kind of Thames barrier might be erected under Waterloo Bridge to control the largesse.

The advantage of flooding the South Bank with international cinema each year is that there is something for everyone. The disadvantage is that it presents a grossly undiscriminating perspective on world cinema. Sometimes it seems that the only entry qualification for most films at the festival is that they have been shown at another festival and have not been panned to death. Thus Tony Gatlif's flatfooted film noir *Rue De Depart*, Georgi Shengelaya's ill focused period-piece *Journey Of A Young Composer*, or Luigi Comencini's pedestrian trudge through World War 2, *History*, come to London trailing clouds of critical indifference from Cannes, Berlin or Venice.

However, among the festival films that *do* impress, the largesse pays off in the wide range of styles, budgets and brands of audience appeal. You may gasp at the visual richness of Felix De Rooy's *Almacita Of Desolato* or giggle happily at Ross McElwee's *Sherman's March* (history documentary *cum* romantic hard-luck story). You may sit dazzled by the imaginative sleight-of-hand of Roeg's *Castaway* or enthralled by the four-square reportage of Ingmar Bergman's film about film-making, *Document: Fanny And Alexander*. And you may enjoy the innocent comedy of *Malcolm* (an Australian caper movie) or reach for a brown paper bag in response to David Cronenberg's *The Fly*, where the cinema of yukky special effects reaches its grisly (but irresistible) apogee. Most of these films are still to come and tickets may be bought, begged or purloined.

★

With horror films, you can always tell what kind of movie you are in for from the first question the heroine asks on entering a public hostelry. If the hostelry is designed in Central European style and the heroine says, "Excuse me, I know it is late, but I am looking for a castle owned by a certain Count," you know you are on the Dracula beat. If, on the other hand, she enters a sleazy American bar off the main highway and asks, "Say, is there an inexpensive place to stay around here?" you know that cheap motels are on the agenda. You are probably in a *Psycho* sequel and will soon be wishing you were not.

In *Psycho 3* Anthony Perkins is once more the Good Motel Guide's least recommended proprietor: afflicted with a mother problem, a murder problem and an increasingly virulent script problem. Perkins himself directs this latest rubbish, written by Charles Edward Pogue, and manages to make it both horrorless and humourless. There is the usual plethora of punctured or persecuted young ladies, but this time round they and the plot are as exciting as an umpteenth identification parade wheeled on before a jaded murder witness.

★

Alas, we cannot speak too humbly either of Saving Grace. Pope Leo XIV, alias Pope Tom Conti I, goes AWOL from the Vatican to help a poverty-racked Calabrian village, and we the audience follow. But as the plot becomes ever more sentimental, we only stay because there is no available transport back to more colourful Rome. Here Cardinals Fernando Rey and Erland Josephson lend the film what little early vitality it has.

George Katakouzinos's *Angelos* has altogether too much vitality throughout. In this overwrought gay melodrama, two young Greeks vie for domination as one pushes the other into transvestism and prostitution. It ends with knife-wielding and murder, but not nearly soon enough.

From Greece the best departure route is by air to Chicago, the setting for *Running Scared*. Here Gregory Hines and Billy Crystal play two knockabout cops enjoying fair-to-witty dialogue and a drug-busting thriller plot that is no worse—indeed rather better—than it should be. Peter Hyams directs.

The Mother/Battersea Arts Centre

Michael Coveney

An early report on this National Theatre touring production suggested that Brecht's 1930s rewrite of Gorky's novel was placed in the context of our own recent industrial strife. Whatever the fruit of that experiment, Di Trevis's hard and glistening presentation is now confined to telling the story of Pelagea Vlasova's political education, abetted by Hans Eisler's wonderful music: a slick deployment of scenic traverse, white sheets and a top-class cast led by Yvonne Bryceland all transcend the "workshop" label.

The novel was written between the 1905 and 1917 Revolutions, war looming; the play is set at that time but becomes a Communist rallying cry in the face of Hitler (who banned first this and then all Brecht's plays); and Steve Gooch's 1978 translation for the Half Moon caught a mood of feminist mobilisation at the end of the Heath era. Each era can find something in this most fascinating of the *Lehrstuck*; Miss Bryceland appears to advocate in her performance heart, optimism and tenacity.

Vlasova starts off refusing to make tea for her son's friends who have formed a clandestine printing works to support the underpaid factory workers. The police arrive and smash up her home—at which point, to support her son, she distributes leaflets without knowing what they say. In the famous reading lesson scene, she plods along with primitive Communist doctrine.

When her son is shot crossing the Finnish border after a spell in Siberia, she fully adopts his political cause and dissuades other woman from donating copper to be melted down for wartime ammunition, claiming that the Czar is about to annihilate the Party.

The emergence of this heroic figure is fascinatingly balanced with the portrait of a mother more emotionally vulnerable than, say, Grusha or Mother Courage herself. Mary Sheen's Half Moon Vlasova was a memorable, bustling eccentric; Yvonne Bryceland brings the full range of her technique and expressive power to show us a Vlasova who can both weep and know when to stop. The acquisition of experience is difficult to transmit in so short a time, but Miss Bryceland manages this aspect brilliantly, endowing her cries to the barricades with nobility and ringing authority.

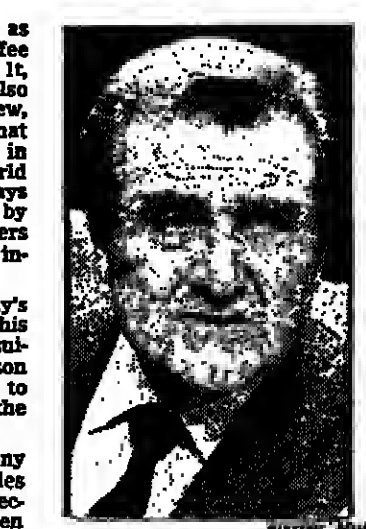
Her son Pavel is tremulously well played by Ronan Vibert and there is notable work from Philip Joseph, Jenny Galloway, Colin McCormack and Geoffrey Freshwater, the latter seizing with relish one of Brecht's liveliest compacted cameos, the butcher who turns on the strike-breakers after Vlasova has been stoned at the picket line.

The singing of Eisler's songs is a revelation of their muscular, steely beauty, the fine arrangements by Stephen Warbeck led at the piano by Claire Sutherland.

The show moves on to the Belfast Festival next week, calling at Manchester, Milton Keynes and Harlow before slotting into the Cottesloe in mid-December.

Killing Jessica/Savoy

Martin Hoyle



Patrick Macnee

We know this is America as the stage doorman uses a coffee mug with "I love NY" on it, the way natives do. He also says things like "Win a few, lose a few. Broadway ain't what it used to be." We are soon in that comforting nursery world of bad, old-fashioned plays stodgily directed and acted by the more intelligent players with barely concealed incredulity.

A year after his last play's disastrous première and his actress fiancée's apparent suicide, writer Alec Dennison (Patrick Macnee) returns to stage a black charade in the empty theatre.

Someone in the company killed Erika; and he reassembles the unwitting producer, director and actors, plus an unseen witness in the darkened auditorium, to read his new play —which, it transpires, in fictional guise reveals actual dirty doings backstage and may identify the killer.

David Rogers has adapted a teleplay by two Americans whose names, like their work, need not detain us long. Bryan Forbes's direction has the actors entering up the aisles as in one of the Savoy's happier productions, *Noises Off*. In spite of an occasional irresistible echo of coarse theatre, there is, alas, no further resemblance.

Members of the cast (minus two characters listed in the programme, though Mr Macnee at one point calls a suspect by one of the edited-out names) stand around looking hopeless or striding to the footlights with cries of "What's all this about?" In the circumstances the most reassuring line spoken is "You must not worry. There's always television."

Mr Macnee plays with his own English accent and moves, a bulky if stately figure, with dignity throughout. As the recently bereaved lover he even once buries his face in his hands. This well-tailored toff makes, it must be admitted, an unlikely playwright, even when hymning the thrills of opening night and the mystique of the gallery-ites, "*les enfants du paradis* — as the French call them," Mr Macnee helpfully adds.

Tim Goodchild's backstage set swivels round for flashbacks to Erika's unnaturally neat apartment. As the victim Liz Robertson is attractive, enigmatic and a little blank; Jennie Linden's point and style struggles out from under a swamping wig, and David Langton looks uncanoily like Hugh Paddick. Angela Douglas deserves a medal for her selfless utterance of lines like "What happened that night, Alex?" and little else.

I had the feeling that spectral char-à-bancs were thronging the Strand. As the director (like all directors, an intellectual) remarks, "This is a little dayjar voo." Dayjar voo it is.

Der Rosenkavalier/La Monnaie, Brussels

Rodney Milnes

The news is not good from Brussels, at least not from the drastically renovated Théâtre Royal de la Monnaie, nor from the first new opera production—Strauss's *Der Rosenkavalier*—in its inaugural season.

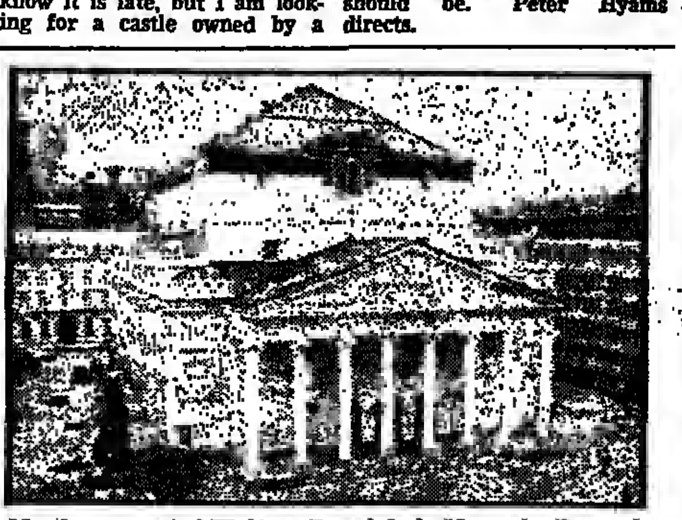
First, the theatre. The building dates from 1819; its exterior dominated by one of the noblest neoclassical facades in Europe. Following a fire in 1855, the auditorium and foyers were rebuilt behind the facade in the very best 19th-century bad taste: the tension between the austerity of the exterior and the riotous ornateness of the interior was one source of the potent charm that this lovely theatre once exerted. It exerts it no more: while later 19th-century additions were handled with extreme tact, those of the 20th have to all intents and purposes destroyed it.

Admittedly renovation was essential, for reasons of safety if for no other. But what has happened far exceeds mere renovation. A chorus rehearsal room and foyer in brutal modern style topped with shiny blue tiles have simply been plonked on top of the building, dwarfing the existing pediment and rendering it senseless. The exterior is ruined beyond salvation by this—to coin a phrase—"*monstrous* carbuncle." The entrance foyer, its ceiling covered in childish daubs by contemporary American artists, raises but a wry smile; they can easily be whitewashed over. The ornate 19th-century foyer at circle level has been ruined by the insertion of plate glass at either end to reveal the staircases—an effect that the creators of neither can have envisaged.

Worse is to come. The frescos in the auditorium dome have been repainted with unbelievable crudeness in garish poster-colours and coarse brushwork: they look like a parody of the original—and I fear, for trendy ideological reasons, they are probably intended to. The orchestra pit has been enlarged, and "invisible corrections to the acoustic" devised: the theatre's excellent sound characteristic (of which more below) seems to have been fatally compromised. The whole adds up — best not to mince words — to an act of mindless vandalism that no amount of smug self-congratulation by those responsible in a celebratory booklet published by the Ministry of Public Works can possibly justify. Impatient though one may be with planning-permission bureaucracy in this country, it is comforting to know that nothing so irreversibly horrible could happen here.

The second performance of *Rosenkavalier*—dimly directed by Gilbert Deflo in modishly white, ice-cold decor by Carlo Tommasi — was conducted not by Sir John Pritchard but by Marek Janowski. Question: if your music director is unable to conduct one performance in a run, might it not be more prudent to let an assistant take over, one who knows the orchestra and the singers and what has happened in rehearsals, rather than engage an outsider of equal status? Far too many embarrassing wrong entries suggested that the Monnaie orchestra was unfamiliar with M. Janowski's beat, and the actual playing—coarse and relentlessly *forte*—was well below the standard one expects from this house.

The "electro-acoustic installation" may have had something to do with the balance: from a seat in the first circle one was continually assaulted by unnaturally strident horns and ill-tuned woodwind. For long stretches, scarcely a note could be heard from the stage, and certainly not a word. Which was a pity, since there were three performances of which one would like to have heard a good deal more: of Felicity Lott's first Marschallin, sung with outstanding musicianship and (when audible) verbal point, and acted with telling and unusual awareness of the character's moral ambiguity; of Günter Missenhardt's Ochs, really *sung* for once, and presented as a young, sparky nobleman and thus a worthy *alter ego* to Miss Lott; and of Günter Reich's effortlessly idiomatic Faninal. Many of the lesser roles were dangerously undercast, and the general unease was increased by a cover Octavian, Lani Poulson, substituting at a late stage (she got through honourably if unmemorably). No, not a happy occasion.



Newly renovated Théâtre Royal de la Monnaie, Brussels

Julie Walters in award-winning play at the Whitehall

Julie Walters and Geraldine James will star in Sharman MacDonald's *When I was A Girl I used to Scream and Shout*, which will open at the Whitehall Theatre on December 9.

Directed by Simon Stokes and designed by Robin Don, the play was first performed at the Bush Theatre in 1984, when it won the *London Standard* Most Promising Playwright Award.

Exhibition of dolls at the Museum of London

The Museum of London is putting on an exhibition of dolls from November 25 to April 26. Covering 1700 to the present, the exhibition will include a dolls' house played with by Queen Mary as a child, dolls' prams, cradles and other furniture, early 18th century "Bartholomew Babes"—dolls dressed as charity school pupils —and royal bride dolls.

Kurtag/Bloomsbury

Dominic Gill

I first heard the music of György Kurtág in 1974 in Budapest before his work had yet reached audiences in western Europe, and was instantly struck by the purity and originality of the musical invention, and by the force of his spare and eloquent, powerfully compressed musical language. In the succeeding dozen years he has been accorded several major retrospectives, notably by the London Sinfonietta and by IRCAM in Paris, and has come to be recognised as not merely the father of the postwar generation of Hungarian composers, but also as a major European figure in his own right.

Adrienne Csengery's Arts Council Contemporary Music Network recital on Wednesday, with various accompanists, surveyed a genre that Kurtág has made very much his own: the miniature song-cycle for voice alone, or for voice with one, two or three instruments. Several of the works on her programme I have described recently on this page: but this was an all-Kurtág evening, and it was fascinating to hear them again in uninterrupted sequence.

The Seven Songs op 22 for voice and cimbalom (to poem-fragments by Amy Karolyi) and the earlier *S. K. — Remembrance Noise* for voice and violin are both miraculous distillations of timbre and gesture, and gained from such close and concentrated proximity. It was good to hear again too the haunting mosaic of *Attila Jozsef Fragments* for solo voice which Miss Csengery sang so beautifully a fortnight ago at the Wigmore Hall, and on this occasion with still more delicate folksong resonance.

England's new-found cimbalom virtuoso Christopher Bradley also made a notable solo contribution with an introductory Bartok folksong flourish, and an account of Kurtág's icy *Splinters*; he accompanied Nona Liddell's violin in Kurtág's *Eight Duos* with confident bravura. Kurtág's *Scenes from a novel* op. 19 for soprano with cimbalom, violin and double bass is a summation of his songcycle genre, and took its place naturally as the evening's finale.

The theme of inconstancy, yearning and self-betrayal, underpinned by a recurrent motif of farewell, loses none of its poignancy to familiarity; and the same gestures make their mark—notably that extraordinary moment, magical in its intimacy, as the words of "I reach out my hand, and chase away your frost with my warmth" unfold to the sound of the violin's open strings slowly warmed into complex dissonace.

Arts Week

Continued from Page 24

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Betty & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

Music

LONDON

Philharmonia Orchestra conducted by Bernard Haitink with Vladimir Ashkenazy, piano. Rachmaninov and Bruckner. Royal Festival Hall (Mon). (928 3191).

London Symphony Orchestra conducted by Claudio Abbado with Rudolf Serkin, piano. Mendelssohn, Mozart and Beethoven. Barbican Hall (Tue). (638 8891).

London Philharmonic conducted by Sir Georg Solti. Haydn and Mahler. Royal Festival Hall (Tue).

London Mozart Players conducted by Jane Glover with Simon Preston, organ. Milhaud, Poulenc, Ravel and Mozart. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra conducted by Antal Dorati with Jorge Bolet, piano. Brahms. Royal Festival Hall (Thur).

Monteverdi Choir and English Baroque Soloists. Mozart programme conducted by John Eliot Gardiner. Barbican Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw, piano recital by Güher and Süher Pekinel (Mon). The Netherlands Philharmonic conducted by Ken-Ichiro Kobayashi, with Susan Kessler, contralto: Weber, Mahler, Ravel, Stravinsky (Tue). Royal Conservatory Symphony Orchestra under Reinbert de Leeuw, with Yvonne Loriod, piano, and Jeanne Loriod, ondes martenot: Messiaen (Wed). Recital Hall: Concerto Rotterdam conducted by Heinz Friesen, with Hans Roelofsen and Rudolf Seno, double bass: Sammartini, Bottesini, Rossini, Turina, Mozart, Donizetti (Tue). The Juilliard Quartet: Mendelssohn, Sessions, Beethoven (Thur). (71 83 45).

Rotterdam, De Doelen. Organ recital by Arie Keijzer: Bach, Mendelssohn, Franck, Keijzer (Mon). Recital Hall: Alban Berg Quartet: Mendelssohn, Shostakovich, Beethoven (Tue). Harro Ruysenaars, cello, and Richard Brautigam, piano: Beethoven (Wed). The Touring Music Ensemble led by Christian Bor: Beethoven, Ravel, Mendelssohn (Thur). (414 29 11).

Utrecht, Vredenburg. Herbert Blomstedt conducting the Rotterdam Philharmonic, with Michaela Martin, violin: Berwald, Mozart, Strauss (Thur). Recital Hall: The Sonderlijc Ensemble with 15th and 16th-century music and song by Dutch composers (Tue). Touring Music Ensemble led by Christian Bor: Beethoven, Ravel, Mendelssohn (Wed). French chansons sung by Allain Leprest (Thur). (31 45 44).

The Hague, Diligentia, Hague Philharmonic chamber ensemble: Triebensee, Haydn, Gouvy, Ponse, Janacek (Wed). (65 18 51).

The Orchestra of the 18th Century conducted by Frans Brüggen, with John Gibbons, piano: Haydn, Mozart, Schubert. Tue in Maastricht, Stargebouw (21 33 00), Wed in Nijmegen, Vereeniging (22 11 00).

Eindhoven, Schouwburg. The Brabant Orchestra conducted by Theodore Bloomfield: Busoni, Mahler (Thur). Globe Theatre: Touring Music Ensemble led by Christian Bor: Beethoven, Ravel, Mendelssohn (Tue). (11 11 22).

PARIS

Zehava Gal, mezzo, Dalton Baldwin, piano (Mon). Theatre de l'Athénée (4742 6727).

Orchestre de Paris: chamber music: Schubert (Tue 6.15pm). Salle Chopin-Pleyel (4561 0630).

Ensemble Intercontemporain conducted by Peter Eotvos, BBC Singers conducted by Simon Joly: Steve Reich (Tue, Wed). Theatre des Amandiers, Nanterre, regional metro connection (4721 2225).

Orchestre de Paris conducted by Mstislav Rostropovitch, Jard van Nes, mezzo-soprano, Orchestre de Paris choir conducted by Arthur Oldham: Prokofiev (Wed, Thur). Salle Pleyel (4561 0630).

Ensemble Instrumental Alexandre Stajic: Bach, Mozart, Dvořák (Thur). Salle Gaveau (4563 2030).

Verdi Requiem (Thur). St-Eustache Church (4656 8342).

VIENNA

Vienna Symphony Orchestra conducted by Gerd Albrecht. Smetana. Musikverein. (Mon).

Heinrich Schiff, cello, Aci Bertoncelj, piano. Beethoven, Shostakovitch, Bach, Debussy. Konzerthaus Mozart Saal (Tue).

Alexandra Lageya, guitar. Sanz, Bach, Paganini, Tarrega. Musikverein Brahms Saal (Wed).

Vienna Symphony Orchestra conducted by Sir Yehudi Menuhin with Vienna Boys Choir and Ileana Cotrubas. Mozart's La Betolia Liberata. Konzerthaus (Wed).

ORF (State Broadcasting) Symphony Orchestra conducted by Bruno Eil with Edith Mathis. Schubert's Des Teufels Lustschloss. Musikverein (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Martha Argerich piano, Paul Neubauer violin, Leonard Davis viola. Bach, Beethoven, Hidemith (Tue); Zubin Mehta conducting, Marilyn Horne mezzo-soprano. Webern, Mahler, Paine (Wed). Lincoln Center (874 2424).

Philharmonia Virtuosi (Town Hall): Richard Kapp director, Marvis Martin soprano. Barber, Berlioz, Ives, Sousa (Tue). (842 1810).

Merkin Hall Goodman House): Jacquelyn Helin piano recital. Thomson, Copland, Barber, Gershwin (Mon); Koichi Aiba flute recital. Mozart, Bach, Doppler, Clyde Criner (world premiere), Muczynski (Tue); Music Today. Gerard Schwarz conducting, Andre Emelianoff 'cello. Robin Holloway, Shulamit Ran, Rudi Stephan, George Rochberg, Joseph Schwantner (Wed). 67th w. of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): John Mauceri conducting. R. Strauss, Mahler, Stravinsky, Scriabin (Tue); James Conlon conducting. Daniel Barenboim piano, Rudolf Firkusny piano. Beethoven, Stravinsky, Ravel (Wed). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Erich Leinsdorf conducting. Debussy, Wagner (Wed). (435 8111).

TOKYO

Micrologus Medieval and Renaissance Music Ensemble: 14th and 16th century Italian music. Aoyama Theatre (Mon). (237 9999; 980 6666).

Annerose Schmidt, piano. Beethoven, Berg, Schumann, Chopin. Tokyo Bunka Kaikan Recital Hall (Wed). (461 2500).

Ensemble Syntagma Musicum Amsterdam: European Renaissance music. Ishibashi Memorial Hall (Thur). (571 1689).

Suntory Hall, Akasaka. Marie-Claire Alain, organ. Bach, Liszt, Brahms. (Tues); All-Bach programme (Wed); Isaac Stern, Jaime Laredo, violin; Yo-Yo Ma cello; Emanuel Ax, piano with NHK Symphony orchestra conducted by Kazuyoshi Akiyama. Vivaldi, Beethoven, Brahms (Thur); Minae Uchida, piano. Scarlatti, Haydn, Chopin, Grieg, Bartok, Yuzo Toyama. Recital Hall (Thur). (505 1010).

Saleroom/Annalena MacAfee

Estimates outstripped

Christie's biggest ever sale of furniture in London produced spectacular results yesterday, with only one per cent left unsold. The top lot was an ornate pair of George III giltwood side tables, which was bought for £286,000 by Partridge Fine Art, the London dealers. The tables, with mosaic tops, carved friezes and baluster legs, were made for the 6th Earl of Coventry in 1768 at a cost of £212. They had been expected to fetch about £150,000.

A set of eight George I walnut dining chairs also outstripped estimates by selling for £104,500 to an anonymous buyer.

Competition was also keen at Sotheby's sale yesterday of important English silver. The London dealers S. J. Phillips paid £82,500 for a James I steeple cup and cover, almost trebling the estimate of between £25,000 and £30,000. At the other end of the price range, a pair of George III sauceboats were bought by the Victoria and Albert Museum for £7,150. The sale made a total of £699,765 with 13.74 per cent bought in.

Samuel Palmer's lyrical watercolour of the story of Comus was the top lot at Sotheby's sale of 18th and 19th century drawings and watercolours. A private American collector paid £63,800 for the painting, which had been expected to sell for between £30,000 and £50,000.

Sotheby's morning sale of Fine Oriental Manuscripts and Miniatures produced some good results with the top lot, a 17th-century European oil painting of a Turkish woman, selling for £35,200 to a private buyer. The morning total was £225,797 with 15 per cent bought in.

On Wednesday it was Christie's turn to join in the New York frenzy for top quality Impressionist and modern pictures. It sold 66 of them for £13,568,194, with a modest 10 per cent bought in. As at Sotheby's there was a shower of records.

One was for a Matisse bronze. "Nu couché I" came from the collection of Ted Ashley and sold for £993,055. Another was for a painting by Bonnard—£687,500 for "La nappe blanche," showing a table laid with desserts. Two more important records were the £572,916 for "Die drei pferde," by Franz Marc, and the £443,055 for "La leçon de couture," by Berthe Morisot, a charming scene of a mother teaching her daughter to sew.

Sotheby's concluded its Impressionist and modern art sales in New York with the expressionist watercolours collected by Charles Tabachnick of Toronto. They did very well, totalling £1,497,053. A tortured male nude by Egon Schiele, "Selbstbildnis," made £221,200, and another Schiele nude, this time female, went for £167,822. In a general sale "Song of the morning," a watercolour and gouache by Chagall, realised £244,105.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Friday November 21 1986

The quality of leadership

PRESIDENT Ronald Reagan has now declared that, at least as far as the Iranian affair is concerned, the buck stops at his desk. This is a right and proper presidential assertion. The problem is that the justifications he has offered for this extraordinary imbroglio in two television performances in the last week have diminished national and international confidence that the conduct of US policy is in good hands.

Confidence is not generated when a president can say to his country that no third party was involved in the arms transactions, only to have his own officials moments later issue a statement that there was another agent. Nor is it helped when the President declares with one breath that the shipments were designed to encourage moderates in Iran and not to secure the release of US hostages held in Lebanon and with the next to claim with satisfaction that some captives were freed as a result of the supply of arms.

This is, let it be noted, not a new Reagan mis-speaking. Throughout his presidency—and indeed throughout his political career—the relationship between Ronald Reagan and factual detail has been tangential at times. Observations earlier this year over the extent to which South Africa had dismantled apartheid were merely a singular egregious example. But so long as things were generally going well for him and so long as his country and its Western friends took comfort in the image of a strong, united America, this mattered little.

After all, the man he succeeded, Jimmy Carter, was a president who took pride in his immersion in the detailed minutiae of policy. In the end he was drowned by this fascination, which made him appear unpresidential. He was replaced in good measure because Mr Reagan promised that life did not have to be unfair, or complex, and that the US would never again be humiliated by a rabble of distant mullahs.

Now circumstances are otherwise for Mr Reagan, both the US and the rest of the world have legitimate reasons to be concerned about the quality of command in Washington. For it is apparent that not only is Mr Reagan floundering, but that those who used to do the managing for him have either been bypassed or have problems of their own.

Mr George Shultz, the Secretary of State, has been obliged to admit publicly that he could not speak on Iran for the administration which he serves. This is a humiliation for Mr Shultz, who had for arduous months been the man charged with the responsibility of dragging the allies behind the US policy of toughness towards state-supported terrorism. He must feel that his credibility overseas has been gravely damaged, perhaps to the point of leaving.

Mr Caspar Weinberger, at the Defence Department, had seemed almost "semi-detached" in any case in the run-up to the Reykjavik summit. The president's subsequent withdrawal from the brink of a momentous agreement with Mr Mikhail Gorbachev may have restored him a little, but Mr Reagan's willingness to be drawn by the Soviet leader so far down the negotiating road must have been gall to Mr Weinberger (and to his *eminence grise on arms control*, Mr Richard Perle).

Mr James Baker, when White House chief of staff, had a political touch that was indispensible to the president. But he is now tied down at the Treasury, struggling to keep alive his series of initiatives from last year. The present White House staff, led by Mr Donald Regan, is not conspicuous for breadth of view or international experience.

Critical eye

Nor necessarily does a Congress run by newly revived Democrats inspire faith in the continuity of US foreign policy. It does give hope that some of this Administration's more eccentric excursions will come to an end, but, in the immediate term, it promises a series of investigations and revelations, which the media will supplement, that will not respect national boundaries. The Senate Intelligence Committee is about to set this ball rolling and it is going to bounce embarrassingly around lots of courts (Israel, Italy, Spain, Scandinavia, even the UK) before it comes to a halt.

This is not an appetising prospect for President Reagan. The world will now be watching with a critical eye, perhaps for the first time, not only what he does but what he says, why he says it and who is advising him. For, having taken responsibility, he must be seen to be responsible. His fabled luck or some extraneous crisis may enable him again to walk away from trouble, but if the last two public performances to his nation are any guide that may be his best hope.

Brazil chooses the centre

THE ORDERLY conduct of Brazil's first entirely free congressional and gubernatorial elections after 21 years of military rule is a cause for congratulation. By all accounts, the campaign has been hard fought and the voting fair. The ballot box is back.

Better still, though the counting continues, it is already clear that the country has an unequivocal result. The Brazilian Democratic Movement Party (PMDB) has swept like an avalanche through the polls and now looks set to win some 21 governorships and clear majorities in both houses of congress.

Brazil, so long ossified by an unimaginative military, badly needs a broadly centrist, but reformist force to manage the complex social and political problems that its unique configuration of enormous wealth and grinding poverty generates.

The long march back to fully institutionalised democracy has only just begun. However, at present, the new republic is simply a name. The first task of the new congress is to sit as a constituent assembly and devise a constitutional rule book. Preliminary efforts by an appointed committee of the great and good to define the parameters of the document in a draft text have not augured well for the process.

The draft contained over 400 articles and attempted to enshrine such micro-issues as maximum working hours and the role of foreign companies in the new Brazilian state.

If Brazil's new constitution is to achieve greater longevity than its eight predecessors, more than an editor's blue pencil will be needed to strike out the didacticism and get on with the real task of defining the division of powers and political functions. In the interim, Brazil must live with an uncomfortable legal vacuum. Technically, the old discredited constitution with its decree provisions and other dictatorial legacies remains in force. But consensus-seeking President Sarney will feel reluctant to use its more Draconian powers.

At the same time, he is rightly determined to be his own man, and avoid being dictated to by a party which owes much of its electoral success and consequent political muscle to his economic strategy. This week he has already summoned in Dr Guimaraes, the PMDB leader, for consultations. There will be more. But the problem of when to consult and when to inform is set to arise imminently. Any moment now, civil servants and economists will present a package of measures for adjusting the anti-inflationary Cruzado plan.

Those adjustments must inevitably be tough restraints on the consumer boom, a gradual or partial unfreezing of prices and possible tax rises.

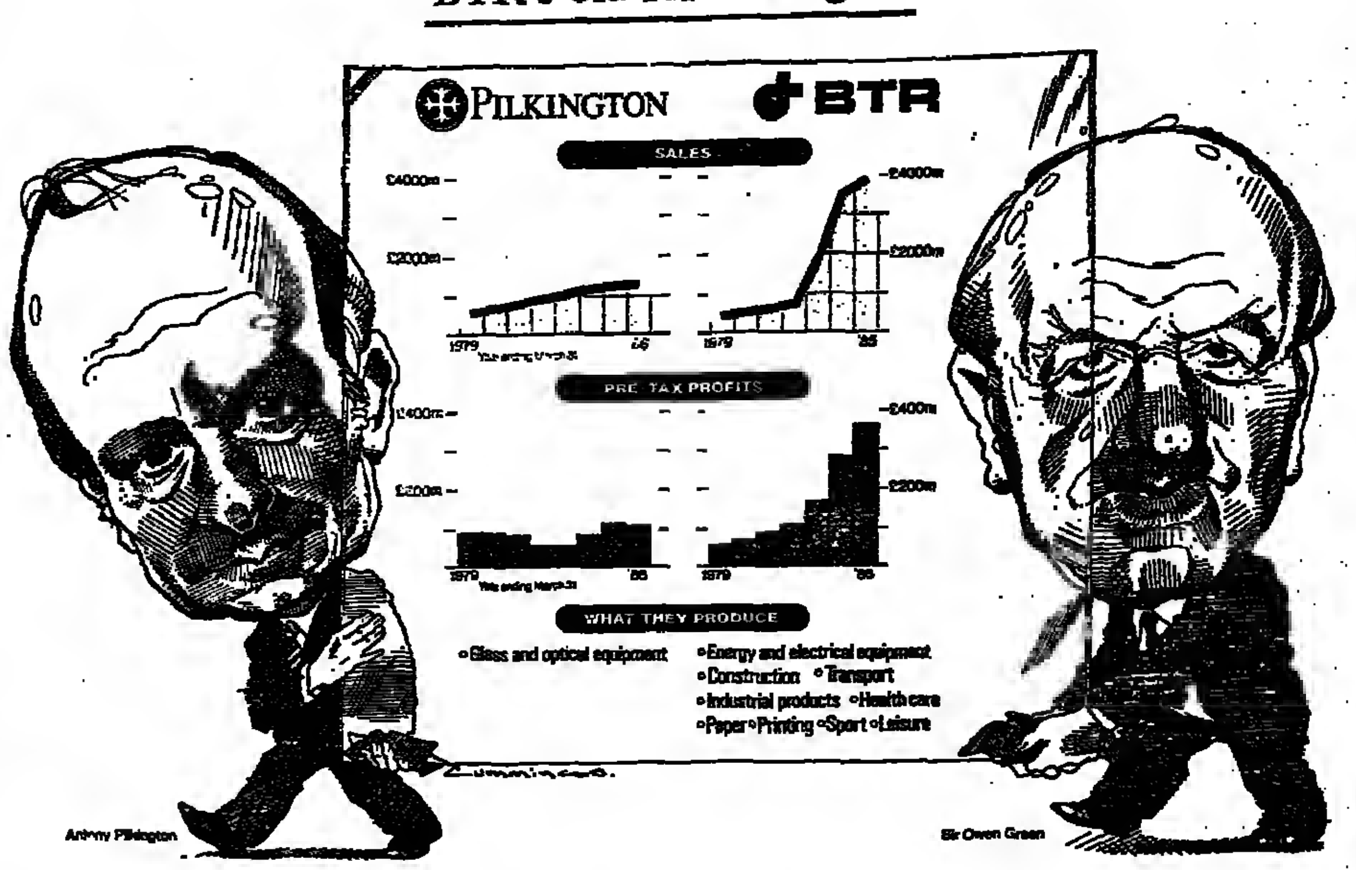
The last, but perhaps most crucial question that faces the country is its attitude to the rest of the world. However distasteful it may seem, Brazil must live with the reality that its high foreign debt and declining ability to attract foreign capital require a complete rethink of how the country projects itself abroad.

The nationalist lobby continues to talk of new restrictions on foreign companies. Any such strategy would be a potentially lethal self-inflicted wound. Brazil must instead charm foreign investors back, encourage joint-ventures and sell its undoubted attractions.

That requires a measure of tactful politics and an accommodation with the Paris Club on government-guaranteed export credits would be a useful start. The international community, for its part, might reciprocate with some gestures of its own. If Brazil is to pay its way, it must be given the financial space to do so.

A full International Monetary Fund programme may not be politically feasible in newly-democratising Brazil. Many of the major creditor commercial banks are now believed to be ready to agree a multi-year debt rescheduling on favourable terms, but they are likely to insist on some form of IMF monitoring as a condition of their support. A readiness by the Government to accept external surveillance, coupled with a liberal approach to foreign investment, could pave the way for a more constructive relationship with the international community.

BTR's bid for Pilkington



Antony Pilkington

Sir Owen Green

Sir Owen prepares to walk on glass

AT FIRST glance, it looks like a classic battle of different corporate cultures. BTR, which yesterday launched a £1.1bn takeover bid for Pilkington Brothers, the glass manufacturers, has built up from small beginnings 20 years ago into one of Britain's biggest and most aggressive industrial groups.

Run from an anonymous and spartan headquarters in London's Pimlico, it has a remarkable appetite for swallowing less efficient businesses. Its bewildering range of interests include the manufacture of industrial hose, car wheels and Pretty Polly women's tights.

Pilkington presents a considerable contrast. Established in 1826 and still headed by a member of the Pilkington family, it has long enjoyed a reputation as a paternalistic employer, providing virtually a welfare state in St Helens, its quiet Merseyside headquarters, for employees and pensioners alike. Eschewing diversification into areas it does not understand, it has built itself up into the world's largest manufacturer of flat and safety glass.

The contrast is underlined by the differing personalities at the head of the two companies. Antony Pilkington, the 51-year-old chairman of the business that bears his name, is a tall, elegant man with a polite, though retiring air.

Sir Owen Green, 61-year-old chairman of BTR, has an open, cheery and down-to-earth manner and a rapid way of speaking that suggests a highly active mind. An accountant by training, he became managing director of BTR in 1967 and is the driving force behind its growth. Only last week he named Mr John Cahill, head of BTR's North American operations and a man very much in the Green mould, as his successor as chief executive from January. Sir Owen, however, will keep control of overall strategy.

But appearances, both personal and corporate, can be deceptive, and it would be wrong to portray the battle for Pilkington as a simple clash between a ruthless corporate raider and a homely old basic UK manufacturer. The reality is rather more subtle.

First, Pilkington, which only went public in 1970 and spent much of the following decade professionalising its management, has been transformed under the leadership of Anthony Pilkington, who took over as chairman in 1980.

The labour force has been cut sharply and work practices have been changed radically; much management control has been transferred from board members to divisional chief executives with clear responsibility for budgeting, manufacturing, marketing and industrial relations; and the emphasis of the group has switched to marketing as the key ingredient in improving profits in a mature market.

At the same time, the spread of the group's interests has changed: there has been a drive into the US through acquisitions, turning it into the world's leading flat glass producer, and thus more able to lead the market; and there has been a diversification into the related areas of opthalmics and electro-optics, with the aim of making this high margin area produce one-third of profits by 1990.

But all this, coupled with a price war in the European glass industry, has so far produced a distinctly uneven profits performance. At the pre-tax level, these have risen from £53m in 1982 to £116m in 1985, before dropping to £105m last year, largely because of redundancy costs.

However, with most of the restructuring now over and a move to higher prices among European glass manufacturers, analysts are expecting a substantial recovery in earnings this year.

"In spite of all we've been through," says Mr Pilkington, "we've done all the right things and we've never lost sight of our strategy. We've grown, and emerged as clear leader of the industry."

He maintains that that leadership would be prejudiced by absorption within BTR, which he attacks as a "run of the mill" conglomerate. "It's successful, I'll grant you, but that's not the point. Conglomerates take a short term view. That's no way to run a glass industry."

However, BTR cannot be portrayed as an aggressive conglomerate out of the same mould as Hanson Trust, which is often mentioned by critics in the same breath. Unlike Hanson, BTR does not make a practice of selling on large chunks of the companies it acquires to new owners, making a turn along the way (though it has disposed of businesses that do not fit well, such as Cornhill Insurance).

"We're not buying companies to strip them, but to grow them," says Mr Cahill; and most City analysts, who have a high regard for BTR's ability to turn round problem companies, would agree with that.

In the past 10 years, BTR's pre-tax profits have risen from £24m to £363m, thanks both to organic growth and some epic takeover battles, such as that for conglomerate Thomas Tilling in 1983 and Dunlop Holdings, the rubber products group, in 1985. Ingredients in its success include a high degree of management decentralisation, coupled with firm financial controls from the centre.

But despite this record, there was some initial surprise among analysts yesterday that it had pounced on Pilkington. First, the glass company, unlike Dunlop and Tilling, is now widely regarded as a well-run company on a "recovery" track. This suggests it will not be a particularly cheap acquisition, and raises the question of just what BTR's management can add that would improve the performance.

Sir Owen yesterday contrasted BTR's latest annual return on sales of 10.5 per cent with Pilkington's 5.3 per cent—and claimed that his management style could improve matters. But Pilkington replied that such figures are selective and highly misleading.

Analysts were also initially rather unclear about the logic of the bid. BTR has traditionally expanded by buying companies in contiguous, related areas to its core operations. It has no significant glass interests. But yesterday BTR argued that the two companies share significant markets—some of Pilkington's businesses serve the construction, transport and health care industries in which BTR also has a substantial presence. Both companies also have big interests in the US, Europe and Australia.

Mr Pilkington dismisses these arguments, saying that the two companies' relations with customers are completely different. As for the international comparisons: "We're both world companies. So what?"

Certainly, at a time when Pilkington seems to have got its house in order, its shareholders are going to need a great deal of convincing that BTR can bring much more to the company.

"Unlike some of BTR's other bids, this is going to be a very difficult battle," said one leading analyst last night—"and I wouldn't like to predict the outcome."

Martin Dickson

THE STUFF OF A HARVARD CASE STUDY

OVER THE past seven years, Pilkington has been executing a textbook long-term strategy aimed at achieving domination in an increasingly global and mature industry.

By first treating Europe as its home market, then expanding ambitiously into America; by diversifying in parallel into related businesses, and by dramatically increasing its productivity, it has done everything that a management consultant or business school professor could demand.

It has even devoted considerable management effort to transforming itself from a technology-driven organisation to one with considerable marketing skills.

Such tactics are the very stuff of which Harvard case studies are made. But while the strategy may look fine on paper, it has had to be carried out in the most hostile of circumstances, with the result that the company's profits have suffered.

Along with GKN, Pilkington is one of the few major British manufacturers which has never lost the enthusiasm for continental European expansion which was spurred by Britain's EEC entry in 1973. In 1980, after a lengthy period of internal sales expansion on the continent and in Scandinavia, it paid the then princely sum of £141m for a majority stake in West Germany's largest flat glass maker, Flachglas. Had the German Cartel Office not stood in its way, it would also have bought a pair of smaller Benelux and French companies. In the event they went, respectively, to Japanese and American interests — which has proved to be one of Pilkington's problems.

All three companies were bought from the French group BSN, which had taken the strategic decision to get out of glass entirely, and instead to construct a global business in the more fragmented food industry.

BSN timed its exit perfectly, for with the onset of European recession in 1979 and the arrival of an aggressive new greenfield operator in the form of America's Guardian Industries, the European glass industry was immediately plunged into a state of drastic overcapacity from which it still has not fully recovered.

Pilkington has been plagued by the industry's overcapacity almost ever since. Though it took dramatic action to reduce its own overcapacity and boost productivity to the much higher levels of its American and emerging Japanese competitors, it has been consistently drained by expensive redundancy costs.

Though the company hopes the current financial year will be the last to bear a sizeable redundancy burden, the damage to its profits — and its rating — has been done.

The third plank of Pilkington's long-standing survival strategy, expansion in the US, has gathered pace since 1983, when it paid £75m for a 30 per cent stake in Libbey-Owens-Ford, one of the world's largest makers of safety glass for motor vehicles and a prime supplier to Detroit. Earlier this year, Pilkington gained full control of the Ohio-based company's glass-making and processing division in a complex deal valued at over $258m.

As Antony Pilkington said at the time, the LOF purchase was of great strategic importance, giving his company a strong and secure base in the US and strengthening its position among the limited number of other large companies that dominate world glass markets.

The deal raised Pilkington's world market share in flat glass from 12 per cent to about 18 per cent, a whisker ahead of PPG Industries of the US (about 17 per cent, depending on exchange rates), and St Gobain of France with about 13 per cent. The other leading producers are Ford and Guardian Industries, plus Ashai of Japan.

Pilkington has also been expanding into the US through a spate of smaller acquisitions as part of an international strategy of building on its existing interest outside flat and safety glass. The latest move came only last week, when Pilkington announced that it had agreed to pay £42m for Arizona-based maker of contact lenses, Syntex Corporation.

These steps have all been aimed at ensuring Pilkington's survival as the flat and safety glass industry moves into an era not only of global concentration, but also of growing technological maturity. This last factor has added to the company's problems: its royalty income from the float glass production process which it pioneered a quarter-of-a-century ago, has been steadily declining as the licences expire.

Commenting on this textbook exercise in strategic redirection, a leading European business school academic yesterday said the company "has done a hell of a job of dealing with its own internal problems. Just as the fruits are starting to show, it looks as if it may get taken. It's a classic takeover tactic."

While praising Pilkington's current strategy, the academic was also critical of it on two grounds: it should have expanded abroad much earlier; and it has become locked into large-scale float glass plants at a time when new competitors such as Guardian are reaping the benefit of small plants geared to narrower customer needs, with lower overheads and a faster stock turn.

On both points the company would argue that it had little choice: once it had decided to licence float technology to companies round the world in the 1960s, rather than establish plants itself, it had no option but to wait until existing companies became available for acquisition after 1979.

And, with its existing invest in large float plants, a reinvestment programme in smaller units would be doubly expensive, in terms of still further rationalisation costs as well as new investment.

Taken all in all, in other words, it is hard to see how Pilkington's strategy could have been much different.

Christopher Lorenz

Men and Matters

Quest for a queen

Monarchy may now be mainly a European institution, but the South American republic of Colombia has just chosen a new royal family—of beauty queens.

For 10 days every year, the whole country's attention is focused on the colonial fortress port of Cartagena where the royal event is held.

Previous "reigns" are recalled and compared in the bars and in the press which, without exception, produces special supplements and editorials on the subject. "Queen mothers" gather to confer; the lineages of the regional candidates for Miss Colombia are traced with a meticulous devotion worthy of Debrett; and many of the navy's young officers are deployed as chaperons for the young beauties.

Colombia (population 28m) has more than 5,000 beauty contests a year, culminating in the national title, conferred this week.

Some of the titles, like Miss Potato, contested at harvest time, are prosaically modest. Though despite the national obsession, the Colombians have yet to match the El Salvador army's attempt to boost troop morale in the war against the guerrillas by staging a contest for a Miss Offensive.

"This is the only truly national event we have," says one of Colombia's leading political journalists. Presidents have been known to intervene in the selections to ensure Colombia's difficult regional and racial balance is maintained.

This year's obvious front runners were from Antioquia, a key region surrounding Medellin, Colombia's second city, whose people's industry and insularity is resented by the rest of the country; and a mulatto from the Pacific coast area of Choco, giving Colombia's blacks hope of a first title since the national contest began in 1934.

The candidate from the river Cauca valley, centre of a 30 year guerrilla insurgency, was also tipped by analysts, partly because the region is not represented in the present Cabinet, and because its beauty queen promised a "national peace crusade" if she won.

In the event, Miss Antioquia, took the crown, the Cauca valley queen became her deputy sovereign, and Miss Choco was pipped for the job of princess by Miss Atlantic.

Though it was noted that the blonde Miss Atlantic came from a "royal family"—her mother was a Miss Sugar, her sister a Miss Atlantic, and her cousin, a former Miss Colombia—El Tiempo, Colombia's leading daily, opined yesterday that an opportunity for racial integration as well as regional balance had been lost.

The only real royalty in the proceding, an Indian princess from the Guajira region, failed to get a place.

Larger print

"It's like Mrs Thatcher defecting to the Labour Party or the Wall Street Journal taking over the Financial Times," bubbled Robert Maxwell as he announced his latest coup in the luxury of the presidential suite in New York's Waldorf Tower.

The news, in fact, was a little less dramatic—but nonetheless marked another bold move in Maxwell's ambition to build the world's biggest printing company. He has hired 47-year-old Jim Sullivan, a senior executive with R. R. Donnelley, the biggest US printer, to be executive vice-chairman of BPCC. Sullivan will be Maxwell's number two—"If that is possible," Sullivan joked.

Sullivan was in charge of printing a host of US magazines, ranging from Time to Business Week and People Magazine. His mission at BPCC will be to pursue the worldwide expansion of its printing business.

Maxwell has just spent $270 buying two big US printing companies, Providence Gravure and Webb Printing, which makes him number four in the US industry, and he made it very clear that he aims to dislodge R. R. Donnelley from the top spot.

But while his printing empire grows apace, Maxwell's efforts to leap into the US publishing business have been less successful. He tried and failed to buy Scientific American and Doubleday, the book publishers. He wanted to buy CBS's big magazine operations but Larry Tisch, the new chief executive, has withdrawn them from the market.

Trade cycles

Few British advertisements—if any—have ever attracted an audience of 350m.

But that is the target figure that the electronics group Plessey confidently expects will be reached this week when its first advertisement appears on Chinese national TV.

Plessey is to show the Chinese two 60-second commercials, and is also sponsoring a BBC natural history series The Living Isles.

The language of these pioneer programmes will be Mandarin. The ads will feature Plessey's telecommunications, and air and road traffic control systems.

The bicycle rush-hour in Peking is something that has to be seen to be believed. In addition to sophisticated civil aviation systems, Plessey is upgrading 40 major traffic junctions in the principal city to let the bikes flow freely. Appropriately the system is known as Scoot.

Beyond our ken

Socialism may be on the defensive in many parts of the world, but in the Israeli kibbutzim, a delighted Ken Livingstone, once of the Greater London Council, this week discovered a more efficient unit of production than any capitalism could offer.

With more time on his hands than when he was doing battle simultaneously with Mrs Thatcher and the right wing of the Labour Party, Livingstone Israel, to see for himself the country of which he has long been a strident critic.

Livingstone, a guest of the left wing United Workers' Party, says he has immensely enjoyed the visit. But, in character, had a parting word of advice. Israelis should overcome their inhibitions and seize the chance to do a deal with the Palestine Liberation Organisation over the occupied West Bank and Gaza regions. "What the PLO is prepared to accept today would have been unthinkable even a few years ago," he said.

Artless

Heard from an American woman in London's Portobello Road: "I don't know who Art Nouveau was, Mary, but he sure produced a lot of junk."

Observer

MR REAGAN'S FOREIGN POLICY

A hostage to public opinion

By Stewart Fleming, US Editor in Washington

"HIS INTUITION was so sound that he relied on it too heavily, letting it lead him down paths where intuition should not go alone. Most of the time President Reagan was intuitively keen but intellectually lazy."

This superficially harsh judgment of Mr Reagan was written not by an outspoken critic but by Mr Lon Cannon, White House correspondent of the Washington Post, a sympathetic biographer who has followed the President's political career since his days as governor of California.

Mr Reagan's record as a consummate politician who has consistently dominated both his rivals and the domestic political agenda during his six years in the White House is testimony enough to counter those who have underestimated his abilities and his insights into the mood of the American people.

But today Mr Reagan and his administration are wrestling with what is potentially the worst foreign policy crisis to hit the President since he took office, his decision to send military spare-parts to Iran.

It is e move which has brought Mr George Shultz, his invaluable Secretary of State, to the brink of resignation. Mr Shultz has said in public that he deeply disapproves of both the policy of shipping arms to Iran and the fact that the foreign policy role of the National Security Council which managed the Iranian operation, is again expanding under an activist President at the expense of an incumbent Secretary of State.

At the summit in Reykjavik too, Mr Reagan's reliance on his instincts and his apparent failure to master the complex military and political issues associated with arms control, helped to explain why he was so badly outmanoeuvred at the bargaining table by Mr Mikhail Gorbachev, the Soviet leader.

Now it appears that his limited understanding of the byzantine politics of the Middle East and his decision to ignore the views of experienced foreign policy advisers such as Mr Shultz and Mr Caspar Weinberger, led to the Iranian fiasco.

Most foreign affairs experts maintain that the policy of trying to build diplomatic relationships with Iran, which is what Mr Reagan claims to have been doing, makes a degrea of sense although some suggest that for the time being this task is better left to America's allies.

But to pursue this objective in part by secretly shipping arms to Iran, something the US has unequivocally condemned, has been dismissed on all sides as a diplomatic blunder. It makes a nonsense of America's high principled stand against terrorism, at once undercutting Mr Shultz, the most outspoken edvocate of this policy, and the credibility of US policy commitments.

It hae led to fears that such deals provide an incentive to terrorists to take more hostages and to countries which have been supplying arms to Iran to supply more of them, perhaps tipping the military balance in the Gulf war towards Iran, something which is not in America's strategic interests.

"We have," remarked Senator Carl Levin," been duplicitous with our allies and duped by our foes."

The most disturbing judgment for the White House came, however, from the opinion polls taken after the television address Mr Reagan made last week in which he sought to appeal over the heads of his critics in Washington and subdue them by rallying public support.

It is a gambit Mr Reagan has resorted to regularly when he has been under attack. It worked flawlessly after Reykjavik when, backed by an unprecedented propaganda blitz, the administration succeeded in creating the impression that the summit had been a roaring success.

Indeed so over-confident has the White House become in Mr Reagan's ability to reshape public perceptions that Mr Donald Regan, the White House Chief of Staff, in e revealing commentary on current events, boasted about it to the New York Times last Saturday.

"Some of us are like a shovel brigade that follows a parade down main street cleaning up," he said with a laugh, the newspaper reported.

The polls suggest that this time Mr Reagan's most valuable political asset, his credibility with the American people, may not be enough to carry the day, hence the White House gamble to follow up last week's television address with Wednesday night's televised press conference.

An ABC News poll taken after the television address last week showed that 56 per cent of those polled did not believe Mr Reagan when he described as "utterly false" allegations that the US shipped arms to Iran as ransom for hostages, 72 per cent disapproved of his acknowledged policy of sending arms as a way of improving relations, and 79 per cent disapproved of any arms for hostages swap.

After Wednesday night's Press conference, however, many were coming to the conclusion that the gamble of putting the President on television to face questions from an increasingly hostile American Press had failed.

Mr Reagan seemed unsure of his answers on several points and contradicted statements by his aides on others, notably on the key issue of whether Washington had worked with a "third country," widely identified as Israel, in order to transmit to Iran indirectly more shipments of arms than it was sending directly.

One charge levelled against Mr Reagan's conduct of foreign policy, and one which is easy to make when a foreign policy disaster has struck, is that it lacks coherence.

But, says Mr John Steinbruner, director of foreign policy studies at the Brookings Institution: "The US never has e fully coherent foreign policy."

The nature of American democracy, the separation of powers within the government, the independent role the legislature can play and the influence of different departments within the administration, all mean that there are many contending opinions in play at any one moment.

Consensus can take a long time to develop: as a result American foreign policy-making often appears, and often is, disorganised. In how many countries can a legislature defeat the executive and make its own policies the law of the land as happened this year in the case of South African sanctions?

The rejection of Mr Reagan's policy towards South Africa was a rare setback for a President who has successfully applied his political muscle and succeeded in increasing the administration's influence over foreign policy.

But critics have consistently argued that the Reagan Administration has not achieved major foreign policy successes as a result of its own initiatives. In an article in foreign affairs last year Mr Michael Mandelbaum maintained that Mr Reagan's "stewardship of American foreign policy has been largely successful," citing the improvement in America's standing in the international community since 1981 and his success in avoiding war. But, in the article which was entitled "The Luck of the President" he went on to argue "the success . . . has been due in large part to circumstances having little direct connection with the efforts of the Reagan Administration."

As the tensions between the State Department and the National Security Council mount, such criticisms are being reinforced by allegations from such foreign policy experts as Senator Sam Nunn that the decision-making process today is in "disarray."

That the Reagan administration got off to a slow start in the foreign affairs field is not surprising. In his first years in office the focus was on domestic priorities, curbing inflation, lowering taxes and boosting military spending. Changes in his staff did not help either. Mr Shultz, in office now since 1982, is his second Secretary of State, Vice-Admiral John Poindexter his fourth National Security Adviser.

In his second term, however, Mr Reagan has begun to focus on foreign policy, particularly the pursuit of an arms agreement with the Soviet Union.

So far, however, breakthrough in key areas of special concern to Washington have eluded him. Relations with Moscow are in flux following the breakdown of the Reykjavik summit, elthough an arms control agreement still looks like his best hope for a foreign policy "triumph."

In Central America there is little evidence to suggest that he is any neerer his declared goal of pressuring the Sandinista Government in Nicaragua to accept Washington'e definition of democracy and there is profound concern about the economic and the political stability of Mexico.

In the Middle East since the collapse of the peace initiative launched by Mr Shultz in 1982 Mr Reagan has avoided launching any bold new peace process. Some fear that in doing so he has left a dangerous vacuum.

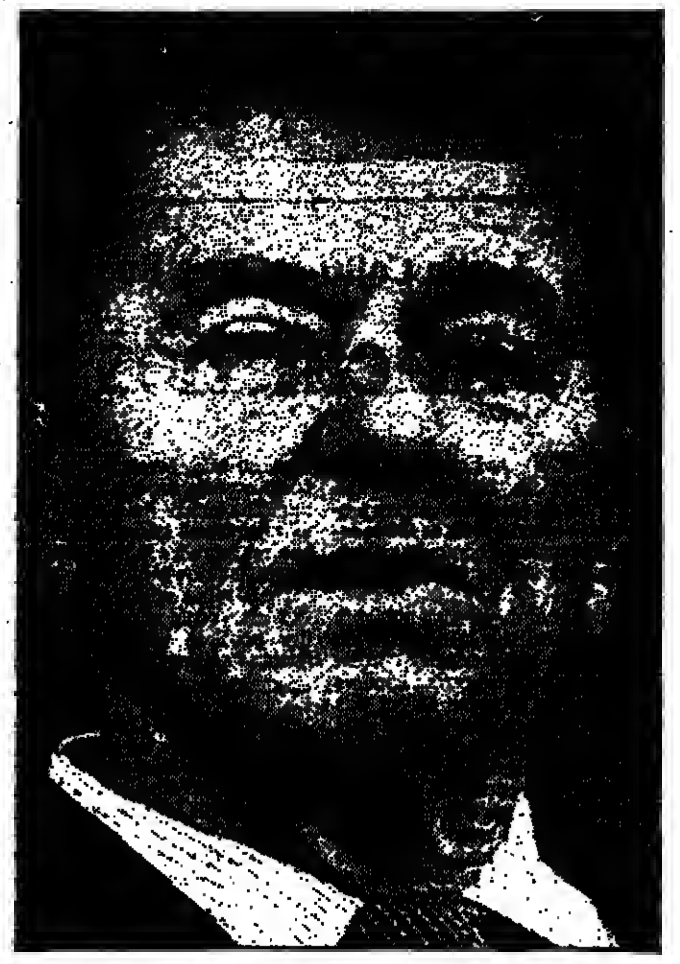
Interestingly, it is the area of foreign economic policy which is dominated by a supreme political pragmatist Mr James Baker, the Treasury Secretary, where the second Reagan administration has seen a positive transition towards the implementation of an active agenda.

Mr Baker has ushered in e period of co-operative, if not always harmonious, economic policy management by the major industrial countries, replacing the confrontational approach of his predecessor Mr Donald Regan, but without yet echieving the perhaps unattainable goal of preventing the huge US budget deficit from badly damaging the economy.

Another striking characteristic of Mr Reagan's presidency, one referred to last weekend by Vice-Admiral John Poindexter in a television interview, is the President's willingness to cut through bureaucratic red tape and enunciate major foreign policy innovations. An example his controversial—critics would say disastrous — Star Wars Strategic Defence Initiative (SDI).

It is this inclination to follow his nose and his impatience with delay and opposition which has contributed to the difficulties his administration is facing today.

As the debate over the Iranian arms deals rages, Democrats would be the first to admit that apart from raising issues of substance they are also seizing on wht looks like e heaven-sent opportunity to capitalise on their recent victory in the mid-term senate elections and torment a man who has tormented them often enough over the last six years.



Mr Reagan: political health vulnerable

There is no question that Mr Reagan's credibility has been damaged as a result of the succession of political setbacks he has suffered over the past three months, the no-swap swap which ended the Daniloff affair, the breakdown of the non-summit summit in Reykjavik, allegations of an elaborate "disinformation" campaign against Libya by the NSC, the loss of Republican control of the Senate and now Iran.

Mr Reagan's advisers will not underestimate the capacity of Congressional investigators to pierce e President's defences and prolong his agony. They will need to be particularly sensitive to this threat because Mr Reagan needs Congressional support not just backing from the American people to carry out his foreign policy agenda.

Some are asking how it can be that a man who was helped into office by his predecessor, President Jimmy Carter's decision to tie his political fate and part of America's foreign policy to the fate of hostages held in Iran can have committed an almost identical blunder.

How could he have missed the fact that the wounds Iran inflicted on the psyche of the American people in 1980 have yet to heal? Is an isolated President losing touch with the mood of the American people? Or are the predictions of those who warned that the combative Donald Regan would not be able to keep the President out of trouble in the way Mr James Baker did as Chief of Staff coming true?

White House aides, as they now measure the impact of Mr Reagan's second attempt to swing public opinion to his side can comfort themselves that so far at least he remains personally popular. For the time being he can still lean too on the other pillar which has provided strong political support, the performance of the US economy.

But Washington is well aware that Mr Reagan's political health is just as vulnerable as the American hostages now being held in Lebanon or any others that may be taken. Some are arguing that Mr Reagan may need to do more than merely state once again that the US will not negotiate with terrorists or ship arms to Iran in order to demonstrate that terrorists cannot hold America hostage by holding Americans as hostages.

Letters to the Editor

Confidence in the City

From the General Secretary, Fabian Society

Sir,—Whatever the pros and cons of self-regulation (explored in your Editorial of November 15), the effectiveness and strength of the City ultimately rests in the confidence of the consumer—the investor or the fund-raiser—that he or she is getting a fair deal. Any system of regulation which allows those who work in the City to cash in on their clients' transactions will ultimately be discredited in the eyes of the consumer. This does not just apply to cases where the adviser holds shares in the company in which advice is sought: an adviser who holds any shares has an interest in any transaction that affects the price of those shares.

The only acceptable basis for regulating the City is that those who act as advisers should not also act as investors. Those at the top of the new financial conglomerates who can cross Chinese Walls clearly have access to such a range of information that their investment decisions inevitably benefit et the expense of the less well-informed investors at large. These individuals earn fabulous salaries already, and it would hardly be unfair to debar them from shareholding at all.

But even those further down the ladder, "protected" by Chinese Walls, inevitably benefit from prior knowledge of events. It is a matter for debate about the level of management at which share dealing would be excluded, but the principle is correct.

Other professions already exclude themselves from areas where participation would prejudice their independence. Civil servants et even quite junior levels may not contemplate membership of a political party; medical practitioners cannot engage in personal relationships with their patients; MPs and councillors must declare interests and abstain from voting on issues in which they are involved.

Surely it is time that the City, in eelling services the most important of which is disinterested advice, makes clear its ebsolute commitment to the total independence of the advice it gives.

John Willman,
11 Dartmouth Street SW1.

Design boom

From the Director, Design Council.

Sir,—Feona McEwan (November 12) reveals a tailing off in the financial performance of design consultancies who have gone public in recent years. We must all hope that this trend will be shortlived, because the consultancies concerned have been of crucial importance in the transformation of the British design scene, and they all still have a big role to play.

There is however, an aspect to all this which is even more worrying. The recent dramatic growth in design consultancy has mainly been centred upon retailing and other service industries. By contrast, design in relation to product improvement has not advanced at anything like the same pace.

Fewer than half of the grant applications in the Government's "Support for design" scheme relate to product design. Furthermore, it is astonishing that many manufacturers prefer to apply for graphics or packaging assistance in cases where the improvement of the product itself should be the first priority.

Mrs Thatcher and her Government have done much to stimulate interest in design, and it is now a hot topic. Rumour has it that she is ebout to take another look at the situation. She may well conclude that British product design still has a long way to go.

Keith Grant,
28, Haymarket, S.W.1.

Efficient markets

From Mr D. Damant

Sir,—In his letter of November 15 Mr Christopher Glover makes a very common mistake. He argues that if (for example) investment institutions take a quarterly view of their performance — that is, they take e short-term view — so the underlying market, that is the Stock Exchange, will also take a short term view. In fact as has been proved over and over again the Stock Exchange and other well organised markets discount all the available information on tha future for companies and the economy very nearly perfectly, whether this information is long term or short term. Mr Glover asks why anyone should buy a stock now whose immediate prospects are poor if you can buy it later on when its longer term prospects become clearer and more certain. Let him try. The evidence is that above average returns are not available either by this very obvious technique or by most others.

I would suggest that one reason why anecdotal evidence such as that put forward by Mr Glover is misleading is that, because the market is so efficient at pricing the prospects of the various companies, the only chance a fund manager will have of achieving an ebove average return is to be first in the interpretation of new news, and most new news is short term, in many cases of course concerning the next results. All the strategic points are already discounted in the share price.

It is true, nevertheless, that the market is not entirely efficient. One inefficiency which is perceived on both sides of the Atlantic is that out-of-favour stocks tend to be undervalued on a risk return basis, which is a relevant point to the instance cited by Mr Glover of a company which gets into trading difficulties. (This is of course not et all the eame thing as the provision of long-term risk capital to good projects.) Why shares in companies which have got into difficulties should be somewhat under-valued as compared with the level indicated by the capital asset pricing model is a matter for speculation. Clearly investors are more risk-averse than the theory suggests. In any case, this is not e large inefficiency — it affects e limited number of companies and only to a limited extent. It should also be mentioned that it is in just this sort of instance thet the ettentions of a predator might be considered a beneficial development since, in all the criticism of takeovers, it is often overlooked that a threat as well as the actuality of a takeover may heve a beneficial effect in many cases.

To criticise the market for simply "juggling in company securities," and to contrast this with the "sweat and toil expended in creating the wealth" is to turn the truth on its head. Efficient markets assist the efficiency of industry and the creation of wealth. To deny the validity of the correct pricing of risk and return is to deny the rules by which capital can be efficiently used.

David C. Damant.
Quilter Goodison Co,
31-45 Gresham Street, EC2

The poverty lobby

From Mr P. Aston

Sir,—Ruth Lister (November 14) objeets to my labelling the poverty lobby's choice of a poverty line 40 per cent above the supplementary benefit level as "arbitrary." She says it was chosen "to take account of the fact that some people on SB have an income higher than the basic . . . level," and that its use is further buttressed by recent research. Yet Miss Lister argued three years ago that it was unfair "tu assume that those receiving SB get (even) e further 20 per cent de facto income," while an euthor of several Child Poverty Action Group pamphlets has recently shown that the research Miss Lister refers to is "not at all conclusive."

Inflating the poverty figures and failing to welcome the reduction of nearly 250,000 people in families with dependent children (not 250,000 families as appeared in my original letter) does make one ponder about the poverty lobby's real motives.

University of Liverpool,
Eleanor Rathbone Building,
Myrtle Street, Liverpool.

Lloyd's special reserve

From Mr R. Clark

Sir—Half of a Lloyd'e underwriter's profit can be transferred into a special reserve fund against bad years but the maximum is only £7,000. This level was fixed in the Finance (No. 2) Act 1955. Adjusted for inflation since December 1955 £7,000 becomes over £60,000.

The indications are that the underwriting cycle is about to enter its profiteble phase during which it is vital that underwriters should be eble to build up reasonable reserves.

There seems no logic in imposing any maximum but the present level is ludicrously low when seen against premium income levels of £500,000 which now seem common.

R. J. Clark.
Howard Tilly and Co,
1, New Oxford St WC1.

Unsolicited mail

From Mr P. Tray

Sir,—I cannot even guess where Mr Loch McJannett (November 18) ranks on the "unsolicited mail scale," but shame on him anyway. Your cartoon immediately above his letter has its serious side. Most of our junk mail is on good quality paper—far too good for the bin. So, unless it'e printed on both sides, we use it for scribbling notes, etc, thus making a useful saving in expensive note pads — 22.825 kilos, even after allowing for unusable items, probably equals 10 dozen pads. That'e quite a few bawbees, surely?

Peter H. Tray,
Richard, Archie & Co,
Victoria House,
Southampton Row, WC1.

Solicited male

From Mr P. Young

Sir,—Loch McJannett's total of unsolicited mail (November 18) is not unique to companies. Among offers I received this year were: up to 60,000 sq ft of office space for expansion; vending machines for my staff; and equipment for white-lining my playing fields. I am one man working from home.

Peter Young.
21 Kebel Close, Pound Hill, Crawley, Sussex.

FINANCIAL TIMES

Friday November 21 1986

Leslie Colitt on how Budapest's caution is undermining its unique economic reforms

Political ties fetter Hungarian economy

INDECISION and caution are threatening to immobilise Hungary's unique economic reform programme begun in 1968, as the country's worsening economic performance puts strains on the leadership.

A stream of depressing statistics has increased the leadership's dilemma. The hard currency current account deficit, Hungarian bankers say, is likely to reach $900m this year, twice last year's level. Net debt rose $2.4bn to $7.6bn in the first seven months of the year.

Hungarian agriculture, normally a mainstay of exports to the West, suffered a poor harvest because of drought, and economic growth this year is again expected to be close to 1 per cent compared with a target of 2.5 per cent. The decline in real income which began in 1979 continues unabated.

Dr Ivan Berend, an economist and president of the Hungarian Academy of Sciences, believes that circumstances are forcing the Government to do things against its better judgment.

Loss-making state companies in heavy industry and mining, for instance, are being subsidised because reducing their capacity or closing them would lead to a loss of steel and coal which Hungary could not replace with cheaper imports.

Mr Janos Barabas, a Communist Party spokesman, noted that closing inefficient state companies would cause serious social tensions, such as unemployment, and that it was the priority of the party to maintain a consensus.

Economic reforms already had a bad name among ordinary Hungarians, he said, because of some adverse aspects, especially high inflation. The task of the leadership was to integrate all interests, which was one reason why it was seen to be moving so slowly on the reforms.

Mr Barabas said that senior party leaders could not afford to ignore the political and social consequences of important reform measures, but he admitted that at some point the party would have to break this vicious circle.

It was wrong to speak of a pro or anti-reform wing in the leadership, Mr Barabas said, but there were disagreements among economic policymakers on the pace and extent of the reform.

In addition to its inbred fear of unemployment, the party is loathe to carry out one vital element of the reform programme involving differentiated wages. It is worried that incentive wages based largely on performance would fuel inflation and antagonise many workers who would prefer the present system of a low, guaranteed wage in return for low productivity.

Dr Gerd Biro, spokesman for the Hungarian Chamber of Commerce, which favours pressing ahead swiftly with the reforms, said that because of the political implications wage differentiation would proceed only "very gradually."

The wisdom of postponing reforms to stave off a severe belttightening is widely questioned by Hungarian economists and politicians.

Dr Berend noted that administering bitter medicine might be "more helpful" in the long run. But the leadership was still influenced by the 1956 Hungarian uprising and was determined to do nothing to provoke such an upheaval again.

Mr Aladar Sipos director of the prestigious economic institute of the Academy of Sciences, said his institute had advocated a package plan several years ago for carrying out the reforms but that economic policymakers had decided instead on a step by step development. This he suggested, was the main reason the reforms had slowed down – in turn preventing Hungarian industry from adapting to the world market.

"We know that radical reform involved risks," he remarked, "but slowing down the process of change entails even greater risks."

The only important reform to be introduced next year, the transformation of the National Bank into a purely central bank and the creation of five profit-oriented commercial banks, will not prevent the Government from subsidising loss-making industries.

A new bankruptcy law enacted earlier this year is also unlikely to close down companies which have powerful lobbies in the ruling Politburo of the Hungarian Communist Party.

Mr Karoly Grossz, a leading contender to succeed Mr Janos Kadar, Hungary's ageing party leader, detects an "understandable impatience," both inside and outside the party over the country's worsening economic performance and declining living standards.

But in common with Mr Kadar and other senior politicians, he has little to offer in the way of solutions other than urging "tighter labour and social discipline."

Time, however, is running short, with pressure mounting on the Hungarian leadership from two fronts. Western bankers, who until now have been forthcoming with fresh loans, are growing uneasy. They want to see the Hungarian Government cut consumption and begin the painful process of industrial restructuring which will allow Hungarian industry to compete in the West.

Ordinary Hungarians on the other hand, want to see the fall in their standard of living halted. "No-one can exactly measure the tolerance of the population," Dr Berend said.

The Hungarian Communist Party ended a two day central committee meeting on the economy yesterday after failing to agree on new measures to deal with the worsening economic situation. Hungarian officials said Mr Ferenc Havasi, the Politburo member responsible for economic affairs, gave a deeply pessimistic picture of the economy.

But the leadership was said to have been divided over steps to take to revitalise the economy, with the result that nothing was done. Instead, the Central Committee confirmed its commitment to the previously adopted economic reform programme.

Senior members of the Politburo recently spoke of the urgent need for "more decisive steps" to halt the economy's downward trend and to give a new impetus to the stagnating reform programme.

Hungary's hard currency balance of payments deficit this year is expected to reach $900m – twice that of last year. Economic growth is likely to be no more than 1 per cent after stagnating last year.

Although Hungary was able to obtain $2.4bn in loans from the West this year, bankers are increasingly worried that the economy is adrift.

Mr Janos Kadar, Hungarian Communist Party leader

THE LEX COLUMN

Frosted glass for BTR

Cheeky – that's BTR, as characterised by the terms of its bid for Pilkington. At 545p, BTR was offering a premium for control of less than 3 per cent over the previous day's Pilkington price.

Granted that the Pilkington shares had been rising steadily on a tide of tattle – much of it even linking Pilkington's name with the actual bidder – this is still not a price at which BTR can expect to succeed. The 81p rise in Pilkington's shares to 611p after the announcement demonstrates a gap which it will cost BTR a great deal of argument, and probably a substantial increase, to close.

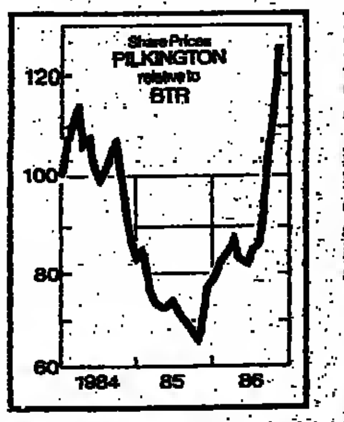
Pilkington's return on sales, like its dividend growth record, comes nowhere near the standards set by BTR through the past decade. But it is a long way from being a natural candidate for the BTR treatment: far from being another Dunlop, Pilkington is not even a second Thomas Tilling.

Unlike Tilling, Pilkington is not a hotch-potch of discrete businesses crying out for more disciplined management. In contrast to Dunlop, Pilkington's efforts to reshape its UK manufacturing base have been rewarded by an improvement in results from its base business, and its balance sheet has proved strong enough – after a none-too popular rights issue – to withstand the strategically plausible expansion it has made into the US automotive market.

Before the battle for Pilkington is much older, a great deal will be heard about corporate cultures. Each company can claim, with reason, to have a distinctive style which has enabled it to achieve its chosen objectives.

At BTR these have been reducible, over a span of years and in a wide variety of industries, to the return on sales.

Pilkington would claim that it has sacrificed immediate margins to its historic aim of technological leadership. The cultural options are clear.



Burton

Burton's share price over the past year has portrayed a market suspicion that the group had bitten off more than it could chew; down at 284p, the shares have underperformed the rest of the stores by about a fifth, and stores have hardly been a strong market.

It will take a good while yet before Burton's grander ambitions in department store retailing are rolled out through the whole Debenhams chain and until then the market may feel entitled to play a waiting game with the shares. But the first full year since the acquisition has produced results that do a fair amount to rebut the market's scepticism.

Although the strategy of throwing a lot of Burton merchandise into the grey acres of Debenhams space did not look a recipe for improvement, it appears to have substituted own-merchandise for concessionaire sales in sufficient proportion to raise the Debenhams retail margin by a point and a half.

Add the continued space and volume expansions in the Burton core chains and this shift seems to have enabled Burton to make good its promise of non-dilutive growth. So far, better than expected, but there is still much to play for.

Beecham

Beecham's new chairman clearly is no respecter of the fine old traditions of the City. A company under supposed threat of takeover is not supposed to declare that its dividend policy has been too progressive and must be restrained.

That surprise was probably responsible for the share price dropping 7p to 424p, since the interim pre-tax profits of £155m were no less than the market was demanding. But since bid speculation had pushed Beecham on to an above average market multiple it is not really perverse to adopt a strategy geared to long-term growth, rather than short-term income.

The weaknesses in the first-half performance are not likely to be recurrent if only because Beecham is about to dispose of most of the culprits. It now appears that the company will get book value in the sale of its ill-judged diversification into home improvements, so the year end could see an ungeared Beecham.

Norcliff Thayer has grown rapidly enough to avoid any earnings dilution even in its first year with the company, so Beecham can claim some evidence of its skill in picking businesses – in areas it understands.

B&C/Exco

Mr John Gunn is a most determined man. Having left B&C last September because of board disagreements, he now swallows the business whole, while setting out its senior executives. It is by no odd that Exco should have agreed to being rolled over within a week of British & Commonwealth's approach. Probably a year's uncertainty bid speculation, a disaffected 29 per cent shareholder, and a wave of defections from the stockbroking business had left the management with little desire to fight even for their own jobs.

It is easier to see why Mr Gunn moved so rapidly to resolve the situation. Last week the Bank of England shelved the O'Brien rules which it had invoked to prevent Morgan Grenfell from merging with Exco in February. It is rumoured that Morgan Grenfell was unable this week to get a cash offer for Exco underwritten, but shareholders in Exco have not lost much by the lack of a lengthy auction. They are getting as full a price as the speculators could have hoped for from a management which knows the business intimately.

Since B&C is an assets business and Exco a formidable generator of cash it is clear that the earnings per share enhancement for B&C is prodigious. The controversy will surround the quality of those earnings. They are being valued here on a prospective multiple of around 13, while other money brokers have multiples in single figures. The convention that money broking earnings are of low quality may have to be reviewed, but not just because of this deal.

Post acquisition and the immediate sale of WICO, B&C will hold net cash of about £270m. Judging from last week's move by B&C to mop up an associate with interests from food distribution to lime aggregates, the rights issue element of the deal has implications which go well beyond the financial services sector.

Brussels resumes attack on semiconductor pact

BY WILLIAM DULLFORCE IN GENEVA

THE EEC yesterday resumed its two-pronged attack on the US-Japanese semiconductor trade agreement under the General Agreement on Tariffs and Trade (Gatt).

EEC officials charged that the pact contravenes the Gatt anti-dumping code and sought to press the US and Japan into admitting that it contains secret clauses, providing preferential treatment for US semiconductor exports on the Japanese market.

Both charges were rejected by the US and Japan who insisted that the text of the agreement submitted to the Gatt secretariat on November 6 was complete and denied that any unpublished side-letters to the agreement existed.

For the EEC Commission Mr Jacques Bourgeois said the trade accord could amount to a sharing of the world market for semiconductors between the US and Japan.

In bilateral talks with the Japanese EEC officials outlined their case under the anti-dumping code: similar bilateral talks were held with the US two weeks ago. In a later, open session in which the EEC spelt out its doubts about the potential market-sharing effect of the pact, reservations were also voiced by the Swiss, Canadians, South Koreans and Hong Kong.

To avoid contravention of the anti-dumping code, the EEC is asking that a clause referring to third country markets be removed from the text of the US-Japanese accord.

Under this clause the Japanese Government undertakes to "monitor as appropriate" the costs and export prices of the products of Japanese semiconductor manufacturers exporting to third countries.

The US and Japan will be given time to think over the EEC arguments, Mr Bourgeois said, but the Commission had reserved its right to proceed under the anti-dumping code. The next step would be to ask for conciliation by the Gatt anti-dumping committee.

EEC officials will report to their ministers in Brussels next week and expect to be instructed to pursue the case within Gatt against the US-Japanese trade pact.

EEC warns of political crisis with US over trade conflicts

BY QUENTIN PEEL IN BRUSSELS

TRADE CONFLICTS between the US and the EEC over issues ranging from farm products to high technology are in danger of turning into a major political crisis, Mr Willy de Clercq, the EEC Trade Commissioner, last night warned.

In a grim speech about the state of trade relations between the world's two largest trading blocs, he called for an end to negotiation "by ultimatum" and threats of protectionist legislation by the US Congress.

Mr de Clercq said the latest talks between Washington and Brussels on the consequences of Spanish membership of the EEC which are causing a big loss in US grain sales had left the two sides "diametrically opposed".

At the same time, the Community could not accept the bilateral US-Japanese arrangement on semiconductor sales, which would have profound effects on the European market for a vital product, he said.

Mr de Clercq, the Commissioner responsible for trade negotiations with the US and Japan on behalf of the 12 member states, delivered his assessment at a conference in Antwerp, shortly before EEC Foreign Ministers begin reassessing the state of relations. The negotiations over Spanish imports are top of the agenda for their meeting on Monday.

"I do not think it is exaggerated to say that never in the recent history of our relations with the US have we been so close to seeing trade conflicts degenerate into a major political crisis," he said.

He blamed the current situation primarily on the huge US trade deficit – but he also paid tribute to the ability of both sides so far to keep the situation under control.

Mr de Clercq said agricultural trade would continue to be a source of major conflict between the two sides, with the US maintaining its assault on EEC export subsidies, countered by European claims that US farm subsidies have the same effect.

On the specific issue of lost US sales to Spain of maize and sorghum, currently under negotiation in the General Agreement on Tariffs and Trade (Gatt), he warned that a failure to reach agreement would have "dire consequences for international trade."

The most serious looming conflicts, however, concerned the modern sectors of industry, and Mr de Clercq singled out the issues of telecommunications and semiconductors.

Although the US complained that the EEC telecommunications market was more protected than their own, he said the large trade deficit suffered by the EEC in that area suggested the opposite.

The semiconductor deal between the US and Japan, which seeks to fix prices not only on the US market but in third markets like the Community, was "symptomatic of tendencies to bilateralism" also apparent in the US-Japanese agreement on international economic relations.

Takeover bid for Exco

Continued from Page 1

Gunn said this was because they worked for Exco's holding company which would cease to exist after the merger. One of Exco's directors will join the B&C board. So will Tan Sri Khoo who has agreed to accept B&C stock and will emerge with a 9 per cent stake in the company.

Caledonia Investments, which has 46.6 per cent of B&C and through which the founding Cayzer family owns the company, has approved the deal. The issue of new shares will reduce the Cayzer interest to a minimum of 30 per cent.

The bid came only one day after B&C dismissed an employee for using inside information about a previous B&C takeover bid to buy share in a target company. Mr Gunn said security on the Exco bid had been very tight, and notes that Exco's shares had declined rather than risen before the bid was announced.

Joyce Quek in Singapore writes: The Brunei Government yesterday siezed control of National Bank of Brunei (NBB), one to the sultanate's two local banks, following an apparent rift between the ruler and Tan Sri Khoo Teck Puat, the Malaysian Chinese entrepreneur who owns a 70 per cent majority in the bank.

One of two NBB officials arrested during a raid on the bank was Mr Khoo Ban Hock, Tan Sri Khoo's son who as chairman has run the bank alongside Pengiran Muda Haji Sufri Bolkiah, the sultan's brother and NBB president.

For Tan Sri Khoo, the move comes as the latest in a series of controversial involvements in financial institutions in several countries. He was revealed yesterday as having agreed to sell his key 29 per cent stake in Exco. A deal which followed his accession in August to the board of Standard Chartered Bank.

In the past he has amassed shareholdings in three of Singapore's big four banks without, however, gaining a directorship.

UK group in French retail link

BY LISA WOOD IN LONDON AND PAUL BETTS IN PARIS

GRANADA, the UK television and leisure group and Levitan, the French furniture company, have formed a partnership to acquire the trading operations of Nasa, the financially troubled French audio-visual chain.

Granada will have an initial 20 per cent stake in the new company with options to acquire the remainder within the next five years through the total investment of £10.6m ($15m).

Granada and Levitan will buy the trading name, stock and 113 stores of Nasa, which went into receivership this year.

The new company will have an initial equity capital of £600,000 and will be supported by loans from Granada of £10.5m and loan facilities from a consortium of banks of a further £10.5m.

Granada has the option at any time to increase its shareholding to 50 per cent for £200,000 and to acquire the remaining 50 per cent within five years at a price related to the profit performance of the business.

The problems of Nasa, with an estimated 10 per cent of the fragmented French home entertainments market were precipitated in September when Fives-Lille, the holding group of the French heavy equipment manufacturer, Fives Cail Babcock, decided to sell its 63 per cent stake in the retailer. Nasa was forced to go into receivership with bank borrowings in excess of £70m plus funds invested in it by Fives-Lille.

Last month Granada, as part of its strategy of expanding its electrical retailing business, made a £30m acquisition of Laskys, the loss-making UK audio and video chain from Ladbroke Group, the betting and leisure company. Granada said the Laskys chain was very similar to that of Nasa, the French audio-visual retailer in which it is taking a stake.

Mr Derek Lewis, finance director of Granada, said: "France is one of the largest European markets for audio-visual products and offers a considerable growth potential.

"It has for example, one of the lowest ownerships of colour TV sets in Europe as well as a lower penetration than in the UK of video recorders and compact discs. Television programming is being liberalised in France and so the product is going to be more attractive."

Granada's existing businesses in France include a relatively small TV and video rental business, a computer maintenance company and a 3 per cent stake in Canal Plus, the subscription channel.

Mr Lewis said Granada had been looking at Nasa, one of the few major audio-visual chains in France, for some time

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	C	12	54	Malta	R	19	66	Rhodes	F	18	64
Algiers	F	18	64	Edinburgh	R	5	41	Manchester	S	7	45	Rio de J'o	S	37	98
Amsterdam	F	7	45	Faro	S	17	63	Manila	C	32	90	Rome	R	17	63
Athens	C	14	57	Florence	S	11	52	Melbourne	C	15	59	Salzburg	S	11	52
Bahrain	R	26	79	Frankfurt	R	10	50	Mexico City	R	25	77	San Francisco	R	19	66
Bangkok	S	31	88	Funchal	F	19	66	Miami	C	32	90	Seoul	R	9	48
Barcelona	S	14	57	Geneva	R	9	48	Milan	C	11	52	Singapore	F	29	84
Beirut	—	—	—	Gibraltar	S	19	66	Montreal	C	-5	23	Stockholm	C	2	36
Belfast	F	3	37	Glasgow	R	6	43	Moscow	Sn	1	34	Strasbourg	R	11	52
Belgrade	C	3	37	Guernsey	F	10	50	Munich	S	15	59	Sydney	F	16	61
Berlin	C	11	52	Helsinki	R	7	45	Nairobi	C	25	77	Taipei	R	21	70
Biarritz	C	13	55	H. Kong	F	23	73	Naples	R	18	64	Tangier	R	18	64
Bombay	R	23	91	Innsbruck	F	7	45	Nassau	C	30	86	Tel Aviv	S	24	75
Bordeaux	C	11	52	Inverness	R	4	39	New Delhi	S	23	73	Tenerife	C	23	73
Brussels	F	9	48	Islamabad	R	28	82	New York	C	3	38	Tokyo	F	15	59
Budapest	D	4	39	Istanbul	S	13	55	Nice	F	16	61	Toronto	C	-2	28
B. Aires	S	23	73	Jakarta	R	32	90	Nicosia	S	19	66	Tunis	C	18	64
Cairo	S	23	73	Jersey	S	11	52	Oporto	C	14	57	Valencia	R	18	64
Cape Town	S	28	82	Jo'burg	F	21	70	Oslo	C	-1	30	Venice	S	10	50
Caracas	C	26	79	Lima	C	18	65	Paris	C	9	48	Vienna	C	7	45
Casablanca	F	18	66	Lisbon	C	17	63	Peking	R	9	48	Warsaw	C	10	50
Chicago	S	0	32	London	S	9	48	Prague	F	13	55	Washington	C	0	32
Cologne	F	8	46	Los Angeles	S	21	70	Reykjavik	S	-5	23	Zurich	R	6	43
Copenhagen	R	5	41	Luxembourg	F	7	45								
Corfu	S	18	64	Madrid	R	9	48								
Dallas	—	—	—	Majorca	R	19	66								
Dublin	R	6	43	Malaga	S	20	68								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Paris halts oil from Moscow

Continued from Page 1

These imports have been increasing because of strong demand for imported oil products in France and the recently competitive price of Soviet crude at around $12.50 a barrel.

It is not the first time France has tried to restrict Soviet oil imports to protect against its growing trade deficit with Moscow. The former Socialist government took similar action in October 1982 but lifted the restrictions a month later when they proved to be merely a burden for France.

France's trade deficit with the Soviet Union is expected to increase to FFr 8bn this year from FFr 5bn last year, the French trade ministry said

Subpoena on Jefferies

Continued from Page 1

meet today to decide if and when the company should be wound up and whether the suspension of trading in its shares should be lifted. The company was headed by Mr Boesky until be resigned on Monday.

The possibility of further instances of insider trading yesterday provoked an attack on the City of London by Mr Neil Kinnock, the Labour leader.

He called in the House of Commons for the "restauration of law and order" in the City and claimed that recent events had shown that the existing regime of self-regulation was not the answer.

Mr Kinnock asked how many cases of insider trading there would need to be to convince the Government that proper statutory arrangements for regulating the City were necessary.

He called on the Government to make time for a debate to consider what he called "the ugly and unacceptable face" of the present system.

● The London Stock Exchange was investigating sharp price movements in the shares of Pilkington and Gestetner Holdings before bids were announced for the companies this week. The price movements indicate buying by investors on the basis of inside information about the bids from BTR and AFP investments respectively.

Such investigations are often launched by the exchange in the wake of takeover battle.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday November 21 1986

Hewlett Packard increases profits

By Charles Hodgson in New York

HEWLETT-PACKARD, the US electronics and computer group which has recently been cutting staff to trim its costs, yesterday reported a 5 per cent increase in net earnings this year. Income was boosted by a 23 per cent surge in fourth-quarter net profits as a result of a stronger rate of order growth.

The California company earned $516m, or $2.02 a share, after tax in the 1986 financial year ending on October 31, compared with $489m, or $1.91, last year.

Revenues for the year were 9 per cent higher at $7.1bn against $6.5bn, with an encouraging 17 per cent increase in international sales.

Improvements in the rate of new orders both at home and abroad helped lift fourth-quarter net profits to $157m, or 62 cents a share, compared with $127m, or 50 cents, last time.

Net sales were $1.93bn in the quarter, against $1.68bn, with a 30 per cent increase in international revenues and a 4 per cent rise in domestic sales.

Mr John Young, president, said the company's cost-cutting efforts continued in the fourth quarter, with more than 1,500 US employees electing to leave Hewlett-Packard under its early retirement and voluntary redundancy plans.

The costs associated with running these programmes reduced fourth-quarter income by 4 cents a share, Mr Young said. Hewlett has reduced its workforce by 2,000 to 82,000 this year.

Orders for the year rose 13 per cent on 1985 to $7.2bn, with a 23 per cent increase in international orders to $3.38bn.

Mr Young said that while Hewlett's overall revenues and order growth rates were improving, some industry signs, particularly the US capital goods order rate, continued to show weakness, indicating only moderate improvement in growth next year.

The company also announced the first shipments of the new computer system from its Spectrum programme. The HP 9000 Model 840, which incorporates a Unix operating system, is a high performance minicomputer for general purpose technical use.

Mr Young said that the shipment was a major achievement for the company, not only because it was one month ahead of schedule but also because it was the first in a new generation of computer products that offered "significant price/performance improvements in the years ahead."

Volvo chief attacks Japanese rivals as earnings fall by 17%

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

VOLVO, the Swedish automotive, energy and food group, incurred a fall of 17 per cent in earnings in the third quarter of 1986. The group's previous record profit levels were hit by the impact of the fall in the value of the US dollar and rising car development costs.

Mr Pehr Gyllenhammar, chairman, yesterday attacked Japanese carmakers for the "dramatic" way they had boosted their share of the Swedish car market this year.

He called on the Japanese motor industry to exercise self-discipline and not to abuse the openness of the Swedish market.

Sweden was the only car-producing country in Europe that had not introduced quotas or other measures restraining Japanese car imports, he said.

"If they (the Japanese) are too brutal, Sweden too must ask itself what it has cost the country to have no restrictions," he said. The Japanese car makers "should not turn the blowlamp on a small country just because it suits them from one quarter to another."

According to the Swedish motor industry federation Japanese car makers' share of the Swedish market has jumped to 21.1 per cent in the first 10 months of the year from 15.7 per cent a year earlier and 15 per cent in the whole of 1984. In October alone Japan took 23 per cent of the Swedish market, led by Toyota and Nissan.

In the first 10 months of this year Volvo's share of its domestic market dropped to 23.3 per cent from 26.6 per cent a year earlier, while the share of SAAB, the second Swedish carmaker, increased slightly to 10.5 per cent from 10 per cent last year. New car registrations overall were virtually unchanged.

Volvo was seeking to increase its own modest presence in the Japanese market and expected to be one of the first Swedish companies to obtain a listing on the Tokyo Stock Exchange before the end of the year.

Despite earlier measures to hedge its US dollar earnings, the impact of the weaker dollar was showing through in lower group profits.

In the third quarter, Volvo profits (after financial items) fell by 17 per cent to SKr 1.32bn ($191m) compared with SKr 1.59bn a year earlier. Operating income fell by 12 per cent to SKr 1.09bn from SKr 1.24bn in the third quarter of 1985.

Due to a stronger performance in the first half-year, profits (after financial items) for the first nine months were still 3.7 per cent higher than a year earlier at SKr 6.07bn compared with SKr 5.85bn.

Operating income for the first nine months was marginally lower at SKr 5.14bn. Volvo said that the lower dollar exchange rate had reduced the operating income of the group's US subsidiaries measured in Swedish krona by more than SKr 200m.

The US is Volvo's single most important car market.

The earnings of Volvo's car operations, which are among the most profitable in the world motor industry, declined slightly, chiefly as a result of higher product development costs and a heavy capital expenditure programme.

The volume of car deliveries rose by 9 per cent to 322,000 in the first nine months, whereas turnover rose by only 4 per cent to SKr 28.6bn.

Volvo's truck operations reported higher profits overall, despite a fall in the US, with strong order bookings and increased market shares in Western Europe and the US.

Volvo Group turnover fell by some 2 per cent in the first nine months to SKr 60.97bn. The fall in the US dollar reduced sales by some SKr 5.1bn compared with the same period of 1985.

Excluding oil trading and newly-acquired food companies in Sweden, Volvo turnover rose by 6 per cent. Chiefly as a result of the takeover of the Swedish sugar company, Volvo's food turnover rose by 48 per cent in the first nine months to SKr 5.8bn.

MINING GROUPS TAKE TRADITIONAL ROUTE TO RAISE CAPITAL

The rush to turn gold into cash

BY STEFAN WAGSTYL IN LONDON

MINING GROUPS are flocking to capitalise on the investment vogue for North American gold stocks.

The announcement earlier this month by Noranda, the hard-pressed Canadian group, that it might cut its heavy debt burden by selling off a stake in its prize asset – The Golden Giant gold mine in northern Ontario – came only days after London-based Consolidated Gold Fields hinted that it might float its US gold interests.

Other diversified groups have floated subsidiaries in the past two years – among them Gold Fields's US associate, Newmont Mining, which sold 5 per cent of Newmont Gold, Fluor Corporation, which sold shares in St Joe Gold, Freeport-McMoRan parent of Freeport Gold and Pennzoil, which gave away 100 per cent of Battle Mountain Gold in a free distribution of shares to its shareholders.

BATTLE Mountain Gold – floated in August 1985 after 100 per cent distribution of shares to shareholders by Pennzoil. Market capitalisation $800m. Produces about 230,000 ounces of gold a year from Fortitude mine, Nevada, which started in 1985. Plans a 60,000-ounce-a-year mine at Pajingo, Queensland. Exploring in US, Canada, Western Australia.

Freeport Gold – Freeport-McMoRan, natural resources group, owns 84 per cent, which is about to fall to 77 per cent following a further share sale. Capitalisation $470m. Gold output of 200,000 ounces a year from 70-per-cent-owned Jerrit Canyon mine, Nevada. Planning to start production 1987 at 60-per-cent-owned Big Springs mine. Intensive explorer with 60 geologists on the staff.

Newmont Gold – Newmont Mining floated 5 per cent in June 1986. Capitalisation $1.6bn. Production rising from 210,000 ounces in 1985 to a planned 700,000 ounces-plus in 1989, which would make it the largest gold producer outside South Africa. Three Nevada mines – Carlin, Maggie Creek and newly-developed Gold Quarry. Newmont Mining has retained the exploration team.

St Joe Gold – floated by Fluor Corporation, which retains 90 per cent. Capitalisation $310m. Produces 250,000 ounces a year mainly from 82 per cent owned El Indio mine in Chile. Active explorer in North America.

The flotation of successful subsidiaries in an old-established way for mining companies to realise some of their investment in a mine and raise cash for future projects. It is particularly common in South Africa, where the large mining houses each manage a string of separately-quoted companies.

However, in North America the dominant trend in the mining industry from the Second World War until the beginning of the 1980s was for increasing consolidation. This culminated in the late 1970s in a series of multi-billion dollar acquisitions of mining companies by oil groups.

Gold mining subsidiaries were swallowed up along with the rest. But for a number of reasons the tide is now moving strongly in the opposite direction.

Firstly, the recession in base metals has prompted a number of oil companies and conglomerates to get out of mining altogether. Pennzoil has not only pulled out of gold, it has sold most of its other mining assets as well.

Secondly, some companies which have suffered heavy losses in base metal mining have had to sell choice assets to cut debt. Noranda, for example, has made clear that debt reduction is one of its top priorities. Mr Douglas Newby, head of mining research at Morgan Grenfell, the merchant bank, says: "There's nothing smart about it. Some people just have to get some money into the bank."

Thirdly, the relative strength of gold prices in the 1980s compared with base metals persuaded many companies to concentrate on exploration and development in gold. In a number of cases, the subsidiaries which are now being spun off are the fruits of relatively recent investment programmes. Gold Fields launched its North American mining operations only in 1981.

Finally, the rush to find alternative investments in gold outside South Africa has raised the stock market ratings of North American gold shares to dizzy heights. Homestake, an old-established company named after a South Dakota mine opened in 1876, trades on a yield of only 2 per cent. Vaal Reefs, a leading South African mine, yields 10.4 per cent.

Mr Douglas Bourne, chairman of Battle Mountain Gold, says: "We feel the flight of capital out of South African gold is looking for companies like ours in which to invest."

The high stock market ratings have other attractions apart from allowing parent companies to raise cash cheaply. Most parent companies have found the value of their own shares has been enhanced by a flotation because of the high market value placed on the shares in the gold subsidiary they continue to hold.

Freeport-McMoRan says in its 1985 annual report that "restructuring assets enhances stockholder value." The 95 per cent stake in Newmont Gold represents $1.5bn out of Newmont Mining's total market capitalisation of about $1.8bn.

Such moves help mining groups to ward off potential predators at a time of intense takeover activity on Wall Street. They also can make possible acquisitions of other companies for shares look more attractive.

Generally, the parent groups have retained management control of their gold subsidiaries through majority shareholdings. Some have even gone further – in structuring Newmont Gold, Newmont Mining made sure the prospecting programme stayed with the parent company. Mr David Morgan, a mining analyst at stockbroker L. Messel, says: "Companies will not want to relinquish control unless they really have to."

However, at least one important independent new company has emerged – Battle Mountain Gold, floated by Pennzoil in 1985. One Wall Street mining analyst says: "Pennzoil must be kicking themselves for giving away 100 per cent of Battle Mountain the way it has performed since last year." The company's shares have risen from $8.50 to nearly $20.

With a host of junior exploration companies snapping at their heels both in North America and in Australia, Battle Mountain and its fellow spin-off gold producers cannot afford to be complacent.

But so far, their record in exploration and mine development has been enviable. In the past two years, Newmont Gold has become the second largest US gold producer after Homestake.

Battle Mountain has scored a spectacular success at Pajingo in Queensland, Australia, where a 60,000 ounce-a-year mine is to be built by 1988. Mr Bourne says: "Our competition is everybody out there looking for gold."

Edelman returns with identical hostile bid for Lucky Stores

BY OUR NEW YORK STAFF

MR ASHER EDELMAN, the New York investor, has renewed his $37 a share hostile bid for Lucky Stores on identical terms to the offer he withdrew last month, which valued the California supermarket chain at $1.88bn.

Lucky confirmed that it had received the renewed proposal but pointed out that it had rejected the earlier sweetened bid as inadequate. Mr John Lillie, chairman, said that Lucky intended to go ahead with today's planned $40 per share tender offer for as many as 14.4m common shares.

The share buyback, which represents up to 28 per cent of Lucky's outstanding common shares, forms part of a restructuring plan undertaken by the company to thwart Mr Edelman's previous unsolicited advances. It involves the sales of various unprofitable units and the concentration of the company on its core food business.

Mr Edelman, who leads a group of investors that controls about 5 per cent of the supermarket chain, warned when he withdrew his original offer last month that he would reintroduce it if the company's restructuring plan did not boost Lucky's flagging share price.

"The marketplace has simply not reflected what (Lucky management) felt their restructuring was worth," Mr Edelman said. "It is now essential for directors to take my bid more seriously."

Lucky's stock has remained weak in the past few days. From a low of $25 just before Mr Edelman launched his bid in September, it rose as high as $37⅞, but began to slip even before he withdrew his sweetened offer, closing 62.5 cents down at $32¼ on Wednesday.

In early trading on the New York Stock Exchange yesterday, the shares were $1⅛ higher at $33⅜.

De Benedetti buys 77% stake in large unit trust

BY ALAN FRIEDMAN IN MILAN

COFIDE, the master holding company of Italy's Mr Carlo De Benedetti, has acquired 77.4 per cent of Fondo Professionale, one of Italy's larger unit trusts with L1,100bn ($792m) of funds.

Cofide did not disclose the purchase price for Fondo Professionale, which was launched in November 1984 by a group of stockbrokers led by Mr Ettore Fumagalli, chairman of the Milan Stock Exchange. It is understood, however, that Cofide is paying an initial L30bn and will pay a premium likely to be up to a further L20bn early in the new year.

The acquisition of the unit trust, which has 25,000 subscriber-savers, is designed to expand Cofide's activities in financial services. Fondo Professionale will thus join the ranks of the Latina-Ausonia insurance business of Cofide, which has around L400bn of combined premium income.

In addition, Cofide is using its recently-acquired Société Financiere de Geneve (SFG), a Shell company bought from Swiss Bank Corporation, as the base for a European investment company and operator in corporate and personal and financial services.

Takeover bid for Lesieur at halfway stage

By George Graham in Paris

ST LOUIS BOUCHON, France's second largest sugar producer, has already reached the halfway mark in its friendly takeover bid for Lesieur, the cooking oil producer.

Mr Bernard Dumon, the St Louis chairman who also took over as chairman of Lesieur after the resignation of Mr Guy de Brignac last week, said yesterday that St Louis and its friends – including Groupe Worms, Banexi, the investment banking arm of Banque Nationale de Paris, and family interests – now hold 50 per cent of the shares in Lesieur.

The new group would have an annual turnover of nearly FFr 14bn ($2.1bn) with FFr 5.3bn accounted for by sugar and the same amount by cooking oils. Mr Dumon said he would be looking for links with other companies in the food industry and indicated that his sights were set on Olida, the leading French producer of pork products.

The immediate benefits of a merger are expected to come largely in the finanical area. Mr Dumon said that St. Louis's sugar subsidiary, Generale Sucriere, was a substantial net creditor for much of the year and that he hoped to put this liquidity to use elsewhere within the new group.

St Louis is offering two of its shares for one of Lesieur's.

Banco Central confirms 5% Kuwait stake

By David White in Madrid

BANCO CENTRAL, one of Spain's two largest commercial banks, said yesterday that the Kuwait Investment Office had confirmed it was behind the purchase last month of a stake of almost 5 per cent in Central through a Swiss intermediary.

The Pta 14.4bn ($106m) deal, made by GSM Securities Management through the Barcelona Stock Exchange, involved shares held by a portfolio company of the Central group and by the Bank's own pension fund.

The bank refused at the time to comment on reports that the purchaser was a private or state Kuwaiti group.

The deal makes Kuwait the largest single shareholder in the bank and follows a recent series of Kuwaiti investments in Spain, notably in hotels and the paper industry.

● The renovation of the top echelons of Spanish banking moved a step further yesterday when Mr Emilio Botin stood down as chairman of Banco de Santander after 36 years in the post. Mr Botin, who is 83, was replaced by his son, Mr Emilio Botin Rios, 52, who will at the same time continue as managing director of the bank.

Italian private sector's bad debts reach record

BY ALAN FRIEDMAN IN MILAN

BAD DEBTS in the Italian banking system reached a record level of 9 per cent of total private sector industrial lending by last May 31, or L16,751bn ($12bn).

According to figures from the Italian central bank, the 1986 level of bad debts, mostly non-collectable, was nearly double the 1983 level of L8.586bn, when bad debts amounted to 7.5 per cent of total private sector industrial credits.

The May 1986 level, which was largely attributable to problems in small and medium-sized businesses, was four times the L3,892bn of bad debts in the system in 1980. Total loan advances to private sector industry up to May (L185,605bn) represent 2.5 times the outstanding loan level of six years ago.

Of the L16,751bn of problem loans this year, more than 90 per cent were related to small and medium-sized companies, generally enterprises with less than L100bn of annual turnover.

Bankers said the rise in bad debts was partly the result of hight debt servicing charges for small companies which were unable to obtain funds from the equity market. While bigger companies have been raising funds on the Milan bourse, the lesser names have still been paying double-digit interest charges on bank loans.

Placer ahead in maiden 9 months

By Our Financial Staff

PLACER PACIFIC, the Sydney-based mining investment company partially spun off in June by Placer Development of Canada, yesterday reported a maiden nine-month net profits outcome of A$31.92m (US$20.56m).

This was largely attributable to Placer Pacific's 70 per cent stake in Kidston Gold Mines, the Queensland open-pit operation which announced net earnings of A$44.33m for its nine months to September. The result compares with A$28.17m in the seven-month start-up period of 1985.

Kidston gave its sales as A$98.95m against A$59.36m for seven months. Placer, which also has gold interests in Papua New Guinea, showed sales of A$109.37m. Each company recorded an initial tax bill of just A$130,400.

Navistar bounces back into profit

BY OUR NEW YORK STAFF

NAVISTAR INTERNATIONAL, the hard-pressed US heavy trucks group, yesterday reported a net profit of $2m this year after making a loss of $364m in 1985.

Navistar, which changed its name from Internaitonal Harvester earlier this year, said that the result included the previously-announced $86m charge for a reduction in the carrying value of its preference stock in Tenneco, received in 1985 as part of the sale of its agricultural equipment business.

The 1985 result reflects costs of $576m associated with the sale of J. I. Case to Tenneco, the Houston-based conglomerate.

For the fourth quarter, Chicago-based Navistar made a net loss of $50m including the $86m special charge.

The company said that income of $16m before the charge, while substantially lower than the $57m earned in the 1985 fourth quarter, was above the company's recent estimates because of an improvement in operating performance and lower costs.

Navistar said that shipments of medium and heavy duty trucks and diesel engines this year were 4 per cent lower than 1985 at $3.4bn, reflecting a 13 per cent fall in demand for heavy trucks offset by a slight improvement in shipments of medium trucks.

BSN

Incorporated with limited liability in the Republic of France

Share capital: FF 367,182,200
Head Office: 7 rue de Téhéran – 75008 Paris, France

NOTICE OF MEETING

Shareholders are hereby informed that an Extraordinary General Meeting will be held at the head office of the Company on 8th December, 1986 and, if a quorum is not present at that Meeting, on 18th December, 1986 to consider the following agenda:

Preferential issue of bonds with warrants attached to subscribe for BSN shares.

All shareholders will be entitled to attend this Meeting, regardless of the number of shares held.

To be entitled to attend or to be represented at the Meeting:

- holders of registered shares must be recorded in the company's share register at least five days before the date of the Meeting;
- holders of bearer shares must deposit at the head office of the company or at a branch of the institutions listed below, at least five days before the date of the Meeting, a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting:

Lazard Frères et Cie, 121 boulevard Haussmann, 75008 Paris, FRANCE.

Banque Nationale de Paris, 16 boulevard des Italiens, 75009 Paris, FRANCE.

Crédit Industriel et Commercial de Paris, 66 rue de la Victoire, 75009 Paris, FRANCE.

Société Générale de Banque, 3 Montagne du Parc, Brussels, BELGIUM.

Lombard Odier et Cie., 11 Corraterie, Geneva, SWITZERLAND.

J. Vontobel et Cie., Bahnhofstrasse 3, Zurich, SWITZERLAND.

Banque Demachy et Associés, 223 rue Saint Honoré, 75001 Paris, FRANCE.

Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, ENGLAND.

Banque Transatlantique, 17 boulevard Haussmann, 75009 Paris, FRANCE.

Société Lyonnaise de Banque, 8 rue de la République, 69009 Lyon, FRANCE.

Mutuelle Industrielle, 55 rue la Boétie, 75008 Paris, FRANCE.

Banque Indosuez, 96 boulevard Haussmann, 75008 Paris, FRANCE.

A. Sarasin et Cie., 107 Freiestrasse, Basle, SWITZERLAND.

Banque Worms, 45 boulevard Haussmann, 75009 Paris, FRANCE.

Banque Paribas, 3 rue d'Antin, 75002 Paris, FRANCE.

Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, FRANCE.

Société Générale, 29 boulevard Haussmann, 75009 Paris, FRANCE.

Crédit du Nord, 6 et 8 boulevard Haussmann, 75009 Paris, FRANCE.

Banque de Neuflize, Schlumberger, Mallet, 3 avenue Hoche, 75008 Paris, FRANCE.

Any shareholder wishing to attend the Meeting in person should request an admission card from one of the banks listed above.

Forms of proxy should be lodged with the Company at least five days before the date of the Meeting. Another person may only represent a shareholder at the Meeting if he is himself entitled to attend the Meeting, or is the spouse or legal representative of the shareholder.

Copies of the resolutions to be submitted to the shareholders at the Meeting may be obtained from the offices of Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT.

Le Conseil d'Administration

All these Bonds having been sold, this announcement appears as a matter of record only.

NEW ISSUE — October 1986

CITY OF VIENNA

Republic of Austria

Swiss Francs 200,000,000
4 ¾ % Bonds 1986-1992/96

Kredietbank (Suisse) S.A. — **Nordfinanz-Bank Zürich**

Clariden Bank — Lloyds Bank Plc
Amro Bank und Finanz — Bank CIAL (Schweiz) - Crédit Industriel d'Alsace et de Lorraine AG -

Armand von Ernst & Cie AG — Fuji Bank (Schweiz) AG
Banco di Roma per la Svizzera — Gewerbebank Baden
Banque Générale du Luxembourg (Suisse) S.A. — Handelsfinanz Midland Bank
Banque Indosuez — Hypothekar- und Handelsbank Winterthur
Banque Morgan Grenfell en Suisse S.A. — Maerki, Baumann & Co. AG
Caisse d'Epargne du Valais — Sparkasse Schwyz

First Chicago S.A. — Commerzbank (Schweiz) AG
Sumitomo Trust Finance (Switzerland) Ltd. — Dai-Ichi Kangyo Bank (Schweiz) AG
Bank of Tokyo (Schweiz) AG — Manufacturers Hanover (Suisse) S.A.
Banque Gutzwiller, Kurz, Bungener S.A. — Merrill Lynch Bank (Suisse) S.A.
Banque Kleinwort Benson S.A. — Soditic S.A.
BKA Bank für Kredit und Aussenhandel AG — The Royal Bank of Canada (Suisse)
Yamaichi (Switzerland) Ltd.

S.F.E. INTERNATIONAL N.V.

U.S. $70,000,000
Guaranteed Floating Rate Notes Due 1988

Guaranteed by

Société Financière Européenne – S.F.E. Luxembourg

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 21st November, 1986 to 21st May, 1987 has been fixed at 6⅜ per cent per annum and that the coupon amount payable on coupon No. 11 will be U.S.$160-26.

The Sumitomo Bank, Limited
Agent Bank

U.S. $250,000,000

Régie des installations olympiques

Floating Rate Notes Due November 1994

Unconditionally guaranteed by
Province de Québec

Interest Rate	6⅛% per annum
Interest Period	21st November 1986 23rd February 1987
Interest Amount per U.S. $50,000 Note due 23rd February 1987	U.S. $799.65

Credit Suisse First Boston Limited
Agent Bank

INTL. COMPANIES AND FINANCE

CBOE and Cincinnati SE to affiliate

By David Owen in Chicago

CHICAGO BOARD Option Exchange, the world's leading options market, and the Cincinnati Stock Exchange have agreed to become affiliates pending approval by members.

The move may eventually enable the CBOE to trade stocks side by side with options as well as producing potential cost-saving benefits. For CSE, the affiliation will bring the promise of expanded membership, increased volume and greater market depth and liquidity.

Mr Alger Chapman, chairman and chief executive of the Chicago exchange, said: "The primary reason for the CBOE to establish a stock trading capability is insurance for our membership in a changing environment – one in which side-by-side trading (stocks and underlying options) may become a reality."

Foreign bids curbed in Teleglobe sell-off

BY BERNARD SIMON IN TORONTO

THE Canadian Government has imposed stringent curbs on foreign bidders as part of new conditions for the privatisation of Teleglobe Canada, the state-owned international telecommunications company.

Announcing that Ottawa was reopening bids for Teleglobe, Mrs Barbara McDougall, the Privatisation Minister, said that foreign ownership would be limited to 20 per cent of total equity but that foreign telephone companies would be barred from any shareholding.

British Telecom and the American company GTE, both of which earlier expressed an interest in Teleglobe, are now excluded from the bidding. Foreign ownership is a sensitive political issue in Canada and is among the reasons prompting the Government to reopen bidding for Teleglobe under new conditions.

Teleglobe has a monopoly on Canada's overseas telephone services. It also has part-ownership of several undersea cables and has a small interest in Intelsat, the communications satellite operator. Teleglobe earned C$31.7m (US$24.3m) in the first six months of this year on sales of C$386m

In terms of the new bidding rules, domestic telephone companies will be limited to a 40 per cent equity stake with no single company allowed to own more than 20 per cent. A public share issue is foreseen after five years.

Canadian bidders in the first round included a partnership of the two big transport and and communications companies Canadian Pacific

Revlon group ahead at $23m

REVLON GROUP, the US cosmetics and supermarket company which last week made a contested $4.9bn bid for Gillette, achieved third-quarter operating net profits of $23.3m, or 42 cents a share, Charles Hodgson reports from New York.

In the comparable quarter last year, Revlon made a $8.8m loss on revenue of $24.2m.

This announcement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for, or to purchase, any securities.

A/S EKSPORTFINANS

(Forretningsbankenes Finansierings – og Eksportkredittinstitutt)
(Incorporated in the Kingdom of Norway with limited liability)

U.S. $100,000,000
7⅝ per cent. Notes due 1993

The following have agreed to subscribe or procure subscribers for the Notes:

Merrill Lynch International & Co.

IBJ International Limited — Security Pacific Hoare Govett Limited

Bache Securities (U.K.) Inc. — Bank of America International Limited
Deutsche Bank Capital Markets Limited — Goldman Sachs International Corp.
Mitsubishi Finance International Limited — The Nikko Securities Co., (Europe) Ltd.
SwedBank — Union Bank of Switzerland (Securities) Limited

Application has been made for the Notes, in the denomination of U.S. $5,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note. The issue price of the Notes is 100⅛ per cent. of their principal amount. Interest will be payable annually in arrears, the first payment being made on 11th December, 1987.

Listing Particulars are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained in the form of an Extel Card during usual business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the Quotations Department of The Stock Exchange, Throgmorton Street, London EC2, up to and including 25th November, 1986 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 5th December, 1986:—

Chase Manhattan Securities, Portland House, 72/73 Basinghall Street, London EC2V 5DP

Citibank, N.A., 336 Strand, London EC2V 5DP

21st November, 1986

PARGESA HOLDING S.A.

(Incorporated in Switzerland)

SECOND NOTICE TO HOLDERS OF WARRANTS TO PURCHASE BEARER SHARES OF SFR. 1,000 EACH OF PARGESA HOLDING S.A.
(The "ISSUER")

NOTICE IS HEREBY GIVEN to the holders of the above-mentioned Warrants that the shareholders of the Issuer, at a meeting held on November 18, 1986, authorized the creation of Bearer Participation Certificates ("BPC's") representing a maximum amount of 40% of the Issuer's capital and that the Board of Directors of the Issuer, at a meeting held on the same day, decided to issue such BPC's in an aggregate principal amount of approximately SFr. 20,000,000, subscription to such issue being reserved in the first instance to existing shareholders of the Issuer.

The subscription period for such BPC's has been changed from that contemplated when notice of the proposed issuance of BPC's was recently published in this newspaper. Consequently, the last date for exercise of Warrants to acquire shares entitling the holders thereof to such preferential subscription rights and the dates during which Warrants will not be exercisable will be communicated to Warrant holders in early January 1987 in this newspaper.

Notice of the adjustment of the Exercise Price of the Warrants following such subscription will be published as early as practicable.

BANQUE INTERNATIONALE A LUXEMBOURG S.A.
Warrant Agent

BANQUE INDOSUEZ

US$125,000,000 Floating Rate Notes Due 1997

For the six months 20th November, 1986 to 20th May, 1987 the Notes will carry an interest rate of 6⅝% per annum and coupon amount of US$320.52 per US$10,000 note

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London — Agent Bank

RepublicBank Corporation

US$150,000,000
Floating Rate Subordinated Notes Due 1997

For the three months 20th November, 1986 to 20th February, 1987 the Notes will carry an interest rate of 6¼% per annum with an interest amount of US$159.72 per US$10,000 principal amount of Notes, payable on 20th February, 1987

Bankers Trust Company, London — Agent Bank

INTERNATIONAL COMPANIES and FINANCE

Premier Group improves halfway

By Jim Jones in Johannesburg

PREMIER GROUP, the diversified South African food group, improved its interim profit performance in the six months to September but is cautious on prospects for the second half.

Mr Tony Bloom, chairman, attributes the improvement to a better performance by the food division, a significant reduction in finance charges, sound cost control, higher dividend income from the investment in South African Breweries (SAB) and rationalisation of some troubled operations.

The group's packaging interests have been sold and capital was restructured in the second half of last year by means of a R100m ($44.7m) issue of preferred ordinary shares.

First-half turnover increased to R1.33bn from R1.15bn and the trading profit before interest and tax rose to R71.7m from R62.5m. Substantially lower interest payments contributed to a doubling of the interim pre-tax profit to R53.5m from R26.2m.

South Africa's food market has been particularly competitive and Premier in particular has suffered regular losses in its broiler chicken operations. Trading margins remain narrow even though consumer spending is improving and Mr Bloom warns that though the economic upswing should lead to increased second-half profits the rate of increase of profits will not be as great as in the first half.

Net earnings rose to 70.3 cents a share from 41.6 cents and the interim ordinary dividend has been lifted to 36 cents from 32 cents.

Premier is indirectly controlled by Anglo American Corporation.

● Rationalisation of loss-making operations has led to an increase in the interim profits of Tongaat-Hulett, the South African sugar, food, bricks, textiles and aluminium products company also controlled by Anglo American. Turnover increased to R1.04bn ($464.9m) in the six months to September from R940m, pre-tax profits rose to R47.1m from R8.5m.

Sales downturn at trading houses

BY YOKO SHIBATA IN TOKYO

THREE of Japan's leading trading houses yesterday reported double-digit percentage falls in sales for the first six months to September, affected by the yen's appreciation, tumbling crude oil prices and the general economic downturn.

Import values were affected by the lower oil prices while exports were particularly sluggish in plant and machinery. C. Itoh, which has a relatively large proportion of domestic trading, managed to confine its sales setback to 12 per cent.

Nissho Iwai was hit in addition by a Y5bn ($30.8m) write-off on inventories of aluminium and fishery products.

C. Itoh acted to improve its financial position by reduced depreciation charges and contingency reserves to a quarter of the level the previous year.

Marubeni had to sell from its holding of securities in order to comply with the Fair Trade Commission regulations, but these maintained a high level of non-operating profits.

Their financial balance (dividend and interests received minus dividend and interest paid) improved greatly, thanks to reduced interest rates and their asset management in capital markets.

C. Itoh, for example, increased investment assets by Y60bn in the first half to Y430bn and yielded Y1.5bn in net financial income. This in part offset deteriorated operating profit margins.

For the current half-year, the three expect a more stable yen-dollar rate but foresee no marked improvement in operating profits.

JAPANESE TRADING HOUSES
Parent company results, half-year to September 1986

	Sales Y bn	Pre-tax profits Y bn	Net profits Y bn
C. Itoh	6,90 (−12%)	17.02 (unch.)	5.17 (−24%)
Marubeni	6,154 (−15%)	18.58 (−9%)	5.01 (−12%)
Nissho Iwai	3,596 (−15%)	7.49 (−5%)	2.27 (−6%)

● Hanwa, a much smaller Osaka-based trading house which handles mainly steel products, boosted its pre-tax profits in the same period by 140.2 per cent to Y12.26bn. Its interim net profits surged by 109 per cent to Y4.76bn.

This was despite a fall in half-year sales by 17.8 per cent to Y293.54bn, due to lower steel prices. The stronger yen helped to reduce import costs for non-ferrous metals, foods and other products. This was enhanced by strong earnings from asset management.

Hanwa plans to increase its per-share dividend by Y1.25 for the full year to pay Y10.25, well above its larger rivals.

It hopes for a further increase to Y11.50.

Suzuki Motor earnings hit by Y32bn exchange loss

BY OUR TOKYO STAFF

SUZUKI MOTOR, the Japanese maker of small cars and motorcycles, suffered a 23.4 per cent fall in its pre-tax profits to Y8.095bn ($49.85m) in the first half-year to September, despite buoyant car exports.

Net profits were Y3.01bn, down 26 per cent, on turnover of Y362.92bn, up 5.6 per cent from a year ago.

The earnings fall was blamed on a Y32.8bn exchange loss and a fall in book value of its overseas subsidiaries because of the yen's steep appreciation.

During the half-year, domestic sales of automobiles rose 2 per cent to 243,000 units and exports jumped by 37 per cent to 237,000 sets. In particular, car exports to North America rose 97 per cent.

Sales of two-wheel vehicles remained unchanged at 631,000 units, but declined 16.9 per cent in value due to the strong yen. Car sales moved up by 14.8 per cent in value.

For the full year to March 1987, Suzuki expects its pre-tax profits to fall 20.4 per cent from the previous year to Y14.4bn, with net profits of Y6bn, down 2 per cent, on turnover of Y740bn, up 2.4 per cent. It plans to maintain the annual dividend at Y6.5.

Kubota down as demand and export margins fall

BY OUR TOKYO STAFF

KUBOTA, Japan's leading maker of agricultural machinery and cast iron pipes, suffered a 28 per cent drop in pre-tax profits to Y8.65bn ($53.3m) in the first half of September, and has cut its dividend.

Net profits were Y4.45bn, down 26 per cent, and the setbacks were attributed to falling demand and narrowing export margins caused by the yen's appreciation. The company cut the interim dividend to Y2.50 from Y3.75, and the year's total payout will be Y5, down from Y6.25.

Kubota's sales fell by 4.8 per cent to Y271.8bn. Domestic sales maintained the previous year's level, but exports declined by 25 per cent from the previous year.

For the second half, the company foresees a further erosion of export profitability by the yen's surge. Full-year sales are projected at Y575bn, down 3 per cent from the previous year. Pre-tax profits are put at Y17bn.

● *Hitachi Zosen*, the shipbuilding and heavy engineering group reported pre-tax loss of Y18.68bn in the first half year to September 1986, against losses of Y13.13bn, despite Y29.8bn worth sales of securities.

Net loss was Y18.68bn, compared with a net loss of Y18.64bn on turnover of Y133.3bn, down 9 per cent.

Email staves off takeover by Feltex

By Robert Kennedy in Sydney

EMAIL, Australia's leading white goods manufacturer, has staved-off its third unwanted takeover bid in two years, with the withdrawal yesterday by Feltex New Zealand of its proposed A$400m (US$257.8m) scrip offer for the company.

The country's Trade Practices Commission ruled two weeks ago that an acquisition of Email by Feltex would put the New Zealand company in a position of dominance in the Australian white goods market. Feltex indicated at the time that it hoped to iron out the difficulties that the TPC saw in its proposed one-for-one share swap offer for Email.

However, it apparently became obvious that the TPC would only countenance a Feltex bid for Email if Equiticorp Holdings, Feltex's parent company, disposed of its 23 per cent stake in Fisher and Paykel, a New Zealand white goods manufacturer.

Equiticorp bought a 23 per cent stake in Fisher and Paykel shortly before its 50 per cent-owned Feltex arm launched the latest takeover attempt on Email.

Equiticorp, which has claimed all along that its decision to take an investment in Fisher and Paykel was independent of Feltex's move on Email, apparently refused to offload the Fisher and Paykel stake.

It had been considered by a number of commentators that Equiticorp planned to back the Fisher and Paykel investment into Email, but that also has been denied by the company and by Feltex.

Hicom loss widens in recession

BY WONG SULONG IN KUALA LUMPUR

HEAVY INDUSTRIES Corporation of Malaysia (Hicom), the government-owned company, has reported a sharply wider after-tax loss of 165m ringgitt (US$63m) for the year to March 1986 compared with a net loss of 10.7m ringgit previously.

Operating earnings rose, however, from 13.2m ringgit to 211m ringgit.

The corporation, which was set up in 1982 to spearhead the government's heavy industrialisation programme, blamed the losses on the Malaysian recession, and poor overseas demand.

Pewaja Trengganu, its 51 per cent subsidiary, which is involved in the production of hot briquetted iron and steel billets, using offshore natural gas, lost 108m ringgit.

The plant began production last year and encountered poor demand for its products locally and overseas.

Proton, Hicom's 70 per cent subsidiary which manufactures the Malaysian National Car, reported a loss of 42.4m ringgit. Commercial production of the Proton Saga began in September last year, and it now claims half the Malaysian market. However, the local market has shrunk from 72,000 passenger cars last year to an estimated 41,000 cars this year, according to the finance ministry's 1986 economic report.

Another Hicom company, Kedah Cement, which began production in late 1984, incurred a loss of 69m ringgit due to a glut of cement and a contracting construction industry. It had sales of 133m ringgit.

Lloyds Bank Plc
(Incorporated in England with limited liability)
U.S.$500,000,000
Primary Capital Undated Floating Rate Notes (Series 2)

In accordance with the terms and conditions of the Notes and the provisions of the Agent Bank Agreement between Lloyds Bank Plc and The Chase Manhattan Bank, N.A., dated 19th November, 1985, notice is hereby given that the Rate of Interest for the Interest Period beginning on 21st November, 1986 has been fixed at 6 5/16% p.a. The relevant Interest Payment Date is 23rd February, 1987 (making an interest period of 94 days), and payment of US$164.83 will be made against Coupon No. 5.

Lloyds Bank

21st November, 1986
By: The Chase Manhattan Bank, N.A., London, Agent Bank

U.S. $200,000,000
BfG:
Bank für Gemeinwirtschaft Aktiengesellschaft
Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the six-month Interest Period from 24th November 1986 to 26th May 1987 the Notes will carry an Interest Rate of 6.1125% per annum and the Coupon Amount per U.S.$10,000 will be U.S.$310.72.

International Westminster Bank PLC
Agent Bank

FIRST CHICAGO OVERSEAS FINANCE N.V.
U.S.$100,000,000 Guaranteed Floating Rate Subordinated Notes Due 1994
For the three months 21st November, 1986 to 23rd February, 1987
The notes will carry an interest rate of 6 5/16% per annum with a coupon amount of U.S.$164.83. The relevant interest payment date will be 23rd February, 1987.
Listed on the London Stock Exchange
Bankers Trust Company, London — Agent Bank

MANUFACTURERS HANOVER TRUST COMPANY
£75,000,000
Floating Rate Subordinated Capital Notes due 1994
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 20th November, 1986 to 20th February, 1987 has been fixed at 11½ per cent per annum. The Coupon Amounts will be £144.93 for the £5,000 denomination and £1,449.32 for the £50,000 denomination and will be payable on 20th February, 1987 against surrender of Coupon No. 9.
Manufacturers Hanover Limited
Agent Bank

WOOLWICH EQUITABLE BUILDING SOCIETY
£200,000,000
Floating Rate Loan Notes Due 1995
In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months Interest Period from (and including) 19th November, 1986 to (but excluding) 19th February, 1987, the Notes will carry a rate of interest of [illegible] per cent. per annum. The relevant Interest Payment Date will be 19th February, 1987. The Coupon Amount per £10,000 will be £289.29, payable against surrender of Coupon No: 4
Hambros Bank Limited
Agent Bank

NEW ISSUE — *These Bonds having been sold, this announcement appears as a matter of record only.* — NOVEMBER 1986

DM 150,000,000

Union Bank of Finland Ltd
(Incorporated with limited liability in Helsinki, Finland)

3¾% Subordinated Bearer Bonds 1986/1993
with Warrants attached to subscribe for free C-Shares of Union Bank of Finland Ltd

CSFB-Effectenbank — Union Bank of Finland Ltd
Banque Nationale de Paris — Berliner Handels- und Frankfurter Bank
Deutsche Bank Aktiengesellschaft — DG Bank Deutsche Genossenschaftsbank
Dresdner Bank Aktiengesellschaft — EBC Amro Bank Limited
Swiss Bank Corporation International Limited — Westdeutsche Landesbank Girozentrale

Arab Banking Corporation – Daus & Co. GmbH; Bache Securities (UK) Incorporated; Banca Manusardi & C.; Banca della Svizzera Italiana; Banco di Napoli; Bank für Gemeinwirtschaft Aktiengesellschaft; Bank of Tokyo (Deutschland) Aktiengesellschaft; Bankers Trust GmbH; Banque Scandinave en Suisse; Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft; Berliner Bank Aktiengesellschaft; Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –; Cazenove & Co.; Chase Bank AG; Citibank Aktiengesellschaft; Compagnie de Banque et d'Investissements, CBI; Copenhagen Handelsbank A/S; Crédit du Nord; Daiwa Europe (Deutschland) GmbH; Den norske Creditbank; Deutsche Girozentrale – Deutsche Kommunalbank –; DSL Bank Deutsche Siedlungs- und Landesrentenbank; Fiacrop S.p.A.; First Chicago Limited; Genossenschaftliche Zentralbank AG – Vienna; Hamburgische Landesbank – Girozentrale –; Hessische Landesbank – Girozentrale –; Industriebank von Japan (Deutschland) Aktiengesellschaft; Hentsch & Cie; Istituto Mobiliare Italiano Capital Markets (UK) Limited; Kansallis-Osake-Pankki; Kidder, Peabody International Limited; Bankhaus Hermann Lampe Kommanditgesellschaft; Landesbank Schleswig-Holstein Girozentrale; Merck, Finck & Co.; B. Metzler seel. Sohn & Co.; Morgan Stanley International; Nederlandsche Middenstandsbank nv; The Nikko Securities Co., (Deutschland) GmbH; Nordbanken; Norddeutsche Landesbank Girozentrale; Sal. Oppenheim jr. & Cie.; Pictet International Ltd; Rabobank Nederland; N.M. Rothschild & Sons Limited; Salomon Brothers International Limited; Shearson Lehman Brothers International; Skopbank; Tokai International Limited; Trinkaus & Burkhardt KGaA; Unigestion S.A.; United Overseas Bank SA; Vereins- und Westbank Aktiengesellschaft; M. M. Warburg-Brinckmann, Wirtz & Co.; Westfalenbank Aktiengesellschaft; Yamaichi International (Deutschland) GmbH

The Premier Group

Premier Group Holdings Limited – Co. Reg. No. 01/04314/06
(Incorporated in the Republic of South Africa)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1986

The consolidated results of the Group for the six months ended 30 September 1986 are as follows:

INCOME STATEMENT

	6 months to 30.9.86 Rm	6 months to 30.9.85 Rm	% Change 86 vs 85	Year ended 31.3.86 Rm
Turnover	1 328,8	1 149,3	+16	2 367,2
Trading Profit	71,7	62,5	+15	136,6
Dividend income	14,8	12,0		40,8
	86,5	74,5		177,4
Less: Net interest paid	33,0	43,6		75,3
Foreign exchange losses	–	4,7		11,8
Profit before tax	53,5	26,2	+104	90,3
Less: Taxation	19,4	5,4		16,4
Profit after tax	34,1	20,8	+64	73,9
Less: Minority interests and preference dividends	7,2	7,3		21,3
	26,9	13,5		52,6
Share of retained earnings of associated companies	17,8	10,1		44,0
Earnings attributable to ordinary shareholders	44,7	23,6	+89	96,6
Earnings per share (cents)	70,3	41,6	+69	164,6
Average number of shares in issue (millions)	63,6	56,7		58,7
Dividends (cents)				
Ordinary	36,0	32,0	+13	86,0
Preferred ordinary	67,5			40,3

BALANCE SHEET

	As at 30.9.86 Rm	As at 30.9.85 Rm	As at 31.3.86 Rm
Shareholders' funds			
Ordinary	1 431,2	1 285,1	1 410,2
Preference	5,2	5,6	5,2
Outside	184,3	168,8	167,2
	1 620,7	1 459,5	1 582,6
Interest bearing debt			
Long-term borrowings	49,2	47,4	41,6
Medium-term borrowings	363,1	349,2	267,8
Short-term borrowings	106,8	116,0	67,1
	519,1	512,6	376,5
Total capital employed	2 139,8	1 972,1	1 959,1
Fixed Assets			
Operating assets	633,4	580,4	616,0
Investments and loans	1 140,9	1 037,7	1 081,3
	1 774,3	1 618,1	1 697,3
Current Assets	725,7	669,9	593,6
Total Assets	2 500,0	2 288,0	2 290,9
Interest free liabilities			
Current	340,4	293,8	314,6
Deferred	19,8	22,1	17,2
	360,2	315,9	331,8
Net Assets	2 139,8	1 972,1	1 959,1

COMMENTS

1. **Earnings**
The comparative figures have been restated to eliminate the results of operations disposed of or closed down during the course of the Group's rationalisation exercise which was referred to in the last Annual Report. This has resulted in raising the comparative earnings per share for the six months to 30 September 1985 to 41,6 cents compared to the 39,2 cents previously published.
The Group's performance for the six months under review improved substantially compared to the same period last year. Turnover increased by 16% from R1 149,3 million to R1 328,8 million and broadly in line with this, trading profit increased by 15%. The Premier Food Industries group produced improved results compared to the previous year and significantly increased their contribution to attributable earnings. The decrease in interest rates, combined with the strict control of working capital, the elimination of foreign exchange losses and the positive effect of last year's Rights issue reduced overall finance costs from R48,3 million to R33,0 million, resulting in a profit before tax increase of 104%. These improvements were diluted by a higher tax charge.
The improved dividend income and equity accounted profits are due to the excellent results of The South African Breweries Limited, which increased its interim dividend to 12,5 cents (1985: 10 cents) on a 56% rise in earnings per share.
Taking all this into account, the attributable earnings of The Premier Group rose by 89%. Due to the additional number of shares in issue, the increase in earnings per share is 69%.

2. **Financial Position**
The increase in borrowings of R142,6 million since the financial year end, is mainly due to the usual seasonal increase in working capital requirements in the industries in which the Group operates, as well as the capital expenditure on the new wheat mill being erected in Vereeniging. The ratio of borrowings to shareholders' funds has reduced from 35% last year to 32% as at 30 September this year.

3. **Extraordinary Items**
Capital profits (arising mainly from the disposal of the Group's packaging interest) amounted to approximately R7 million and have not been included in attributable earnings.

4. **Prospects**
On the basis that the upswing in the economy continues, it is expected that the Group will show a satisfactory improvement in earnings for the year as a whole. However, shareholders should appreciate that the rate of increase for the year will not be as high as that achieved in the interim figures now published.

5. **Dividends**
An interim dividend of 36 cents per share has been declared, an increase of 13% over the previous year.
In terms of the Company's articles of association and the rights attaching to the Preferred Ordinary shares an interim dividend of 67,5 cents per share (1985: Nil) is payable to the holders of those shares.

On behalf of the Board
A H Bloom, *Chairman* — P G A Wrighton, *Deputy Chairman*

DECLARATION OF INTERIM DIVIDENDS

ORDINARY DIVIDEND (No. 147)
An interim ordinary dividend for the six months ended 30 September 1986 of 36 cents per share (1985: 32 cents) has been declared payable on or about 19 January 1987 to members registered in the books of the company at the close of business on 19 December 1986.

PREFERRED ORDINARY DIVIDEND (No. 2)
Preferred ordinary dividend (No. 2) for the six months ended 30 September 1986 of 67,5 cents per share has been declared payable on or about 19 January 1987 to members registered in the books of the company at the close of business on 19 December 1986.

These dividends are declared in the currency of the Republic of South Africa. Dividend cheques will be posted on or about 19 January 1987 to members at their registered addresses and will be dispatched from the office of the Transfer Secretaries in Johannesburg to all payees except those to whom payment will be made from the office of the London Registrars of the Company (Hill Samuel Registrars Limited). Any instructions which will necessitate an alteration in the office from which payment is to be made must be received on or before 19 December 1986.

Payments from the office of the London Registrars of the Company will be made in United Kingdom currency calculated by reference to the rate of exchange ruling on 2 January 1987 or at a rate not materially different therefrom.

Non-resident shareholders' tax at the rate of 15% and United Kingdom tax will be deducted from the dividends where applicable.

The transfer books and register of members will be closed from 20 December 1986 to 28 December 1986, both days inclusive.

London Registrars
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

By order of the Board
(Mrs) J A Elgie CA (SA)
Group Company Secretary

20 November 1986

Registered office
Premier Group Centre
1 Newtown Avenue
Killarney 2193
(P.O. Box 1530, Johannesburg, 2000)

Copies of this Report are obtainable from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

US interest rate talks spur market

BY HAIG SIMONIAN

MORE SERIOUS talk from the Federal Reserve Board of a possible US interest rate cut triggered a rush of new dollar Eurobond issues in the primary market yesterday.

Britain's Midland Bank launched a $300m par priced *floating* rate note (*FRN*), paying 10 basis points over six-month London interbank offered rate. Led by Samuel Montagu, the issue is callable after five years at par.

This is Midland's third bite at perpetual FRNs after two much larger issues last year. Its latest *offering was timed to* coincide with the slight return of confidence in the FRN market seen recently after the falls of previous weeks. The proceeds, which will count as primary capital, will be used to beef up the bank's balance sheet rather than for any acquisitions. The new issue is large enough to be liquid, according to the lead manager, but not so big as to swamp the still somewhat fragile FRN market.

The issue was well received, with interest, as expected, coming predominantly, but not exclusively, from Japanese houses. By early evening, the paper was changing hands at between 99.82 and 99.87, well within its fees of 25 basis points.

Mercedes Credit, the financing arm for the German car manufacturer's US operations, issued a $100m 7¾ per cent 1993 bond, priced at 100⅞. Led by Deutsche Bank Capital Markets, the paper was trading well within its fees at up to ⅞ bid by late afternoon.

This is only the borrower's second Euro-issue this year, and will appeal strongly to investors both on account of its rarity and the familiar name. The management group is likely to be kept small, according to dealers, who were not short of quips about the familiarity of the borrower's name—or at least its products—to the investment banking community.

INTERNATIONAL BONDS

Daiwa Europe brought a $150m 7¼ per cent 1991 bond for IBM Japan, priced at 101⅜. Launched at a 57.5 basis point yield above equivalent US Treasury Bonds, the strength of the borrower's name created a good reception in the market. The management group predominantly features Japanese financial institutions, and the issue was quoted at less 1¼ bid by late afternoon.

Norsk Hydro issued a $150m 7 per cent 1992 par priced bond, led by Credit Suisse First Boston. The paper was *trading* just within its 1⅞ per cent fees by mid-afternoon.

Mitsubishi Trust International led a $100m 7¾ per cent 1983 bullet issue for Mitsubishi Trust Finance (Asia), guaranteed by Mitsubishi Trust and Banking. Priced at 101½, the paper was launched at about 72 basis points over US Treasury Bonds of equivalent maturity.

In the secondary Eurodollar market, straight issues were up between ¼ and ⅜ per cent on the day, with further rises having been trimmed by some profit taking in the early afternoon. Volume was also higher, with some signs of retail buying. FRNs were more mixed; issues with coupons which have recently been fixed at relatively high levels drew the most attention.

Continuing the upturn in Australian dollar primary issues, Hamburgische Landesbank Girozentrale came to the market with an A$50m 14¾ per cent 1989 bond, led by Merrill Lynch Capital Markets, and priced at 101⅜. Standard Elektrik Lorenz Finance made its Australian dollar debut with a A$30m 14 per cent 1990 bond, led by Commerzbank and priced at 101½. The borrower is the financing arm of Standard Electrik Lorenz, the West German electrical appliance and telecommunications company, which is majority owned by ITT.

Australian dollar paper appears to be coming back in favour. Retail investors, especially on the continent, are attracted by the high yield and seem to be giving the thumbs up to the country's economic restructuring.

National Bank Mortgage Corporation, guaranteed by National Bank of Canada, came with a C$100m 9¼ per cent 1991 bond, led by Yamaichi International (Europe), and priced at 101½. The recent firmness of the Canadian currency against its American counterpart has again draw invesors attention to the coupon differential available.

In West Germany, Credit Suisse Finance (Panama), guaranteed by Credit Suisse, issued a DM150m par priced 1993 equity warrant bond, led by CSFB Effectenbank. The coupon, indicated at 2 per cent, will be fixed on November 24. Each DM 5,000 bond has 10 five-year warrants, exercisable into one Credit Suisse bearer share at today's closing price of SFr 3,700. The issue was quoted at 103¾-104¾.

The coupon for the DM 500m issue for Nixdorf was fixed as indicated at 6¾ per cent. The paper was quoted at 143½

Turnover in the West Germany secondary market improved yesterday, with prices rising by up to ½ per cent. Dealers also spotted interest in longer maturities.

In the Swiss franc primary market, Keleg, the Austrian power utility, issued a SFr 50m 4⅞ per cent 1991 bond, priced at 100¼. Led by Swiss Bank Corporation (SBC), the issue is a private placement.

Canon Inc, the Japanese electronics group, which earlier this week issued a $120m straight bond, is today expected to launch both straight and floating rate Swiss franc issues, led by SBC. Prices were up on average in the Swiss franc secondary market. Toboku Electric Power SFr 150m closed its first day's trading at 98¼ against a 99¾ issue price.

Top Citicorp Investment man defects to Orion

BY OUR EUROMARKETS CORRESPONDENT

CITICORP Investment Bank suffered another defection from the ranks of its top executives yesterday when Mr David Pritchard, managing director in charge of Eurosecurities, resigned to move to Orion Royal Bank.

Mr Pritchard, 42, has worked for Citicorp for nine years and is widely regarded in the market as a very high calibre banker. His departure was seen yesterday as a further heavy blow for a bank which lost a string of top people in recent months.

At Orion he will become vice-chairman responsible for capital markets business.

"It's a pity to see good people leaving but we think we can survive without him like we have survived in the past. We are a fairly significant organisation with lots of people," Mr Francesco Redi, chief executive of Citicorp said yesterday. He added that Mr Pritchard will not be directly replaced.

Mr John Sanders, who was recently appointed to head Orion by its Royal Bank of Canada parent, described the appointment as being the beginning of the start of a rebuilding phase. Other appointments would follow but the emphasis was on quality rather than quantity.

Limited start foreseen for Japan's offshore banking

BY IAN RODGER IN TOKYO

TOKYO'S offshore banking market, due to open on December 1, will be much smaller than the Japanese Government predicted, according to a leading Japanese banker.

Mr Yusuke Kashiwagi, chairman of Bank of Tokyo, predicted yesterday that the market would attract little more than $25bn in the early stages compared with the $80bn figure mentioned by Mr Toyoo Gyohten, vice minister of finance for international affairs, a few months ago.

Mr Kashiwagi, who headed a committee of bankers last year on the structure needed for such a market, said it would not be very competitive with other offshore banking markets because the Japanese authorities had not eased taxes and procedures sufficiently to make it attractive.

The Government's real concern should be over the potential impact of leakage on monetary policy, Mr Kashiwagi said.

Despite the disincentives, Mr Kashiwagi predicted there would be a rush of business at the start. Banks were already soliciting for deposits, and "competition will be tough." However, in his view, it was mainly for prestige.

Fed clears Goldman deal with Sumitomo

By Ian Rodger in Tokyo and William Hall in New York

SUMITOMO BANK, Japan's third largest bank, said yesterday that it expected to implement its planned $500m investment in Goldman Sachs, the US investment bank, on schedule following approval of the transaction by the US Federal Reserve.

The Federal Reserve's decision to allow the Japanese bank to take a stake in the famous New York investment bank will be regarded by many analysts as a significant landmark in the dismantling of the more than 50-year-old legal barriers, enshrined in the Glass-Steagall Act, which prevents US commercial and investment banks encroaching in each other's area of business.

US commercial banks have been awaiting the outcome of the Fed's review of the transaction since it will define the flexibility with which bank holding companies can use their charters to enter new areas of business.

Many analysts believe that the Sumitomo deal will be the first of several such investments in US securities firms by both foreign and domestic commercial banks. The Fed noted that it would expect a US bank holding company seeking to make an investment in such circumstances would be "particularly strongly capitalised."

Sumitomo had said in August, when announcing its unusual plan, that it hoped to complete it by November 28. In return for its $500m, Sumitomo is to obtain 12.5 per cent of Goldman's profits. It will not own any Goldman shares or have any directors on the Goldman board.

Sumitomo said yesterday it had already confirmed to the Fed that it would comply with the conditions set.

One *immediate casualty* is a plan to set up a joint Sumitomo plan to set up a joint Sumitomo-Goldman securities firm in London. Mr Koh Komatsu, president of Sumitomo, said in Tokyo yesterday that he was not too disappointed. Sumitomo intended to keep in close contact with the Fed because it expected circumstances for the Goldman Sachs case to change.

In the meantime, Sumitomo would likely be forced to review its plan to develop a new international business strategy on the strength of the tie-up with Goldman.

Sumitomo said it now had to report to the Japanese regulatory authorities on its intention to proceed. Japanese Ministry of Finance officials have made clear that they have no objections to the deal, even though Japan's financial legislation, like that of the US, prevents companies from participating in both the securities and banking businesses.

The Tokyo banking community has been mystified by the deal, wondering how, given all the restrictions, it can be a good investment.

The Federal Reserve Board has forced the two parties to make a number of changes to their original investment plan to ensure that it remains a "wholly passive" investment.

The Fed says that it was concerned that the original plan, involving a significant equity investment and the maintenance of extensive business relationships, would give Sumitomo Bank "both the economic incentive and means to exercise or attempt to exercise a controlling influence over the management or policies" of Goldman Sachs.

Sumitomo has agreed to keep its investment to less than 24.9 per cent of Goldman's total capital. Also the two firms will not increase the amount of business they currently do with each other as a result of the investment. Existing normal business relationships will be maintained on an arm's length basis.

No present or former Sumitomo employees will be trainees of Goldman Sachs; Sumitomo will not acquire any stock in, or have any directors on the board of Goldman Sachs affiliates; Sumitomo's name is not to be used by any affiliate of Goldman Sachs and vice versa.

There had been recurrent rumours that the Federal Reserve was unhappy with the deal — because of the precedents it set—and might block it. US commercial banks are known to have been unhappy about the prospect of a leading Japanese bank being allowed to make such an investment if the same privileges were not granted to them.

The Fed is keen to widen the range of services US commercial banks are allowed to offer but it has repeatedly stated its belief in the continued separation of investment bank underwriting activities from commercial banking.

"A truly passive non-controlling investment logically should not raise any Glass-Steagall issues," said the US central bank.

The only issue raised by the proposal concerns administration of the Bank Holding Company Act.

Sumitomo Bank will be a limited partner in Goldman Sachs and will not have any voting rights, any role in management or representation on the Goldman Sachs management committee.

SEC probe rocks junk bond champion Drexel

BY RODERICK ORAM IN NEW YORK

THERE IS no mention in Drexel Burnham Lambert's latest annual report of Mr Michael Milken even though he has profoundly reshaped the leading Wall Street investment firm—earning for himself a reported $40m last year in the process—and is its largest individual shareholder with 4 per cent of its equity.

Drexel owes a lot to Mr Milken. He is the guru of junk bonds who has masterminded the firm's dominant role in the field of high yield, low grade bonds.

Enormous success in the lucrative business has catapulted Drexel from middle to top rank on Wall Street in the past few years as junk bond profits produced breath-taking expansion into other investment bank fields.

With its pre-eminent expertise in junk bonds, Drexel has been the leading fund raiser for corporate raiders such as Mr Ronald Perelman and Mr Carl Icahn and the arbitrageur Mr Ivan Boesky, who was penalised $100m last week by the US Securities and Exchange Commission for insider trading.

Relationships in the triple alliance between raiders, junk bond dealers and arbitrageurs have become the primary focus of the rapidly widening investigations by judicial and regulatory authorities into alleged insider trading.

Drexel has confirmed that it, as a firm, and some of its officers as individuals have been subpoenaed for both the SEC's investigations and those of a grand jury. It declines to comment on newspaper reports that Mr Milken is among its officials subpoenaed.

Mr Milken, a reclusive 39-year-old workaholic, is credited with creating a high capacity investment banking syndicate outside the traditional structures of Wall Street. This phenomenal power to place issues has enabled Drexel to underwrite some $30bn of junk bonds in the past five years. "He is a creative genius," Mr John Gutfreund, chairman of Salomon Brothers, the top Wall Street firm, said earlier this year.

Mr Milken's fervent espousal of junk bonds as worthy investments has won over a host of investors such as insurance companies, pension funds, savings and loans, individuals through mutual funds and even corporate raiders themselves who often buy their colleagues paper.

Frederick Joseph—verbal support for offering

This power has helped create some of the most notable raiders. Few had heard of Mr Ronald Perelman 18 months ago when he set loose on the takeover trail his company Pantry Pride which was little more than the shell of a former supermarket group.

Drexel raised $700m in junk bonds for him for takeovers without specifying the target.

Drexel insists that Mr Milken is one, albeit the most important, of the 160 employees in its Beverly Hills, California, office specialising in junk bonds. The office was established at Mr Milken's request because he wanted to work on the West Coast for personal reasons.

But fears that the widening investigations will impair, at least in the short term, Drexel's ability to raise funds for takeovers, has wreaked havoc in the stock market this week. Share prices have fallen steeply for a number of companies depending on Drexel to fund takeovers or corporate restructurings.

In several cases, the firm has reiterated its confidence in being able to complete the task. Departing yesterday from the normal anonymous reassurance, Mr Frederick Joseph, Drexel's vice chairman and chief executive, gave verbal support to the forthcoming offering from Holiday Corporation, the Holiday Inn chain.

Drexel also said that $1bn of notes for the Safeway supermarkets group were "oversubscribed" when issued on Tuesday. It is bringing another $1bn of issues to market over the next few weeks.

The secondary junk bond market has had its jitters this week as prices fell sharply with Drexel's issues among the hardest hit.

Despite Drexel's overwhelming identification with the junk bond market, it does not own it. Some $120bn of junk bonds are outstanding, half of which are "fallen angels"—paper which had won investment grade rating when issued but has slipped into the junk bond market as its corporate issuer fell on hard times. Of the $60bn of paper issued as junk bonds, Drexel was responsible for half.

The initial feeling on Wall Street is that the junk bond market will weather its present uncertainties.

Issues are likely to become smaller and more quality conscious. Drexel's dominant role, long the envy of other Wall Street firms, will almost certainly be weakened.

Doubtless, Drexel will continue to champion junk bonds. As a senior official told the US financial communications Society 18 months ago: "Junk bonds, the perjorative name for high yield bonds, are being linked to economic ills and financial scandals which have absolutely no relationship to them."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 20

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day +0¼ on week +0¾

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day +0¼ on week +0¾

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day 0 on week −0¼

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day +0¼ on week +0¼

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

Average price changes on day +0.02 on week +0.06

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

This announcement presents in summarized form excerpts from the Offer to Purchase of Texas Air Corporation and the Schedule 14 D-9 of People Express, Inc. referred to below and is qualified in its entirety by the information contained in such documents.

The Offer to Purchase, which provides detailed information on all the conditions of the Offer, including those not specified in this announcement, on the Purchaser and on the Company, will be available at the principal offices of Banque Paribas (Suisse) S.A., the Paying Agents and other major banks in Switzerland. Its contents may materially influence any decision to be made in respect of this Offer.

Offer to Purchase for Cash

Any and All 5½ % Convertible Bonds Due 1996
Swiss Francs 150,000,000 Principal Amount

of

People Express, Inc.

by

Texas Air Corporation

at

65 % of the Principal Amount, (Swiss Francs 3,250 per bond of Swiss Francs 5,000 principal amount) plus Accrued Interest

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 NOON, GENEVA TIME, ON THURSDAY, DECEMBER 18, 1986, UNLESS EXTENDED.

Texas Air Corporation, a Delaware corporation (the "Purchaser"), hereby offers to purchase any and all 5½ % Convertible Bonds Due 1996 (the "Bonds"), of People Express, Inc., a Delaware corporation (the "Company"), in the principal amount of Swiss Francs 150,000,000, at 65 % of the principal amount, (Swiss Francs 3,250 per Bond of Swiss Francs 5,000 principal amount), plus accrued interest upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 19, 1986 (the "Offer to Purchase") and in the related Letter of Instructions (which together constitute the "Offer").

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) A MINIMUM OF 85 % OF THE OUTSTANDING PRINCIPAL AMOUNT OF THE BONDS BEING VALIDLY TENDERED AND NOT WITHDRAWN, (II) SATISFACTION OR WAIVER OF ALL CONDITIONS TO CONSUMMATION OF THE MERGER OF A SUBSIDIARY OF TEXAS AIR CORPORATION WITH PEOPLE EXPRESS, INC., AND (III) THE NON-OCCURRENCE OF CERTAIN EVENTS.

The Board of Directors of People Express, Inc. has unanimously approved the Merger and unanimously recommends acceptance of the Offer.

The Offer is being made to satisfy one of the conditions to the obligation of the Purchaser to consummate a merger (the "Merger") of its wholly-owned subsidiary with the Company pursuant to the terms of an Amended and Restated Agreement and Plan of Merger, dated as of November 7, 1986, as the same may be amended from time to time (the "Merger Agreement"), among the Company, the Purchaser and Purchaser's wholly-owned subsidiary. Consummation of the transactions contemplated by the Merger Agreement is subject to several conditions, including a minimum of 85 % of the outstanding principal amount of the Bonds being validly tendered and not withdrawn. If the holders of the requisite principal amount of the Bonds do not accept the Offer, the Merger Agreement may be terminated by the Purchaser, in which event, the Company has advised the Purchaser that it may well be forced to seek bankruptcy relief.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will purchase by accepting for payment and will pay for any and all Bonds validly tendered on or prior to the Expiration Date (as defined below) and not properly withdrawn, as promptly as practicable after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions to the Offer. "Expiration Date" shall mean 12:00 noon Geneva time on Thursday, December 18, 1986, unless the Purchaser, in its sole discretion, shall have extended the period of time for which the Offer is open, in which event the term Expiration Date shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire. In all cases, payment for Bonds purchased pursuant to the Offer will be made only upon receipt by the Principal Paying Agent of certificates for such Bonds, together with all unpaid interest coupons (including the coupon for interest payable on January 7, 1987). In the event that any unmatured coupons are not submitted with the Bonds tendered, the Purchaser may, in its sole discretion, waive the requirement for such submission provided that the face amount of missing unmatured coupons shall be deducted from the amount payable by the Purchaser. Such untendered coupons shall be paid upon subsequent presentation at or after their maturity unless such coupons have become void in accordance with Swiss law. Tenders of Bonds will be accepted only in principal amounts of Swiss Francs 5,000 and integral multiples thereof.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment (and thereby purchased) tendered Bonds when, as and if the Purchaser gives notice in writing or by telex to the Principal Paying Agent of its acceptance of such Bonds for payment. Payment for Bonds so accepted for payment will be made by deposit of the purchase price therefor with the Principal Paying Agent, which will act as agent for the tendering bondholders for the purpose of receiving payment from the Purchaser and transmitting payments to tendering bondholders.

For Bonds to be validly tendered pursuant to the Offer, a properly completed and duly executed Letter of Instructions (or facsimile thereof) must be submitted by each bondholder to his custodian bank and the bondholder must instruct his custodian bank in the Letter of Instructions to block internally the specified Bonds. Any bondholder in physical possession of Bonds may participate in the tender offer only by depositing his Bonds with his custodian bank simultaneously with the delivery to his custodian bank of a properly completed and duly executed Letter of Instructions or facsimile thereof. The custodian bank shall thereupon, on behalf of the bondholder, deliver to any Paying Agent prior to the Expiration Date a tender notice, substantially in the form provided by the Principal Paying Agent to such custodian banks, specifying the aggregate principal amount of Bonds being tendered pursuant to instructions received by the bondholder. Each bondholder who wishes to tender his Bonds is urged to instruct his bank far enough in advance of the Expiration Date to enable the bank to carry out such instructions. It is unlikely that a custodian bank will be able to carry out such tender instructions unless sufficient time during business hours in Switzerland is allowed for execution of such instructions. Tenders on behalf of bondholders will be valid only if made through banks in Switzerland and received by Paying Agents prior to the Expiration Date. Bonds tendered shall be registered under a specific security category during the Offer until the earlier of the date of payment or January 17, 1987. During the Offer, Bonds tendered shall not be negotiable, unless properly withdrawn.

For a withdrawal to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely sent or delivered by the bondholder's bank on behalf of the bondholder to the Paying Agent to which the Bond was tendered and received by such Paying Agent prior to the Expiration Date. Each bondholder who wishes to withdraw his tender of Bonds is urged to instruct his custodian bank far enough in advance of the Expiration Date to enable the bank to carry out such instructions. It is unlikely that a custodian bank will be able to carry out such withdrawal instructions unless sufficient time during business hours in Switzerland is allowed for execution of such instructions. Withdrawals may only be made in principal amounts of Swiss Francs 5,000 or integral multiples thereof.

The following information is excerpted from the Schedule 14d-9 filed by the Company with the United States Securities and Exchange Commission on November 13, 1986.

Background of the Merger and Offer to Purchase

Since 1985, the Company's Subsidiary People Express Airlines Inc. ("Peoples Express Airlines Inc") has experienced intense price competition in most of its markets, primarily as a result of excess capacity in the airline industry. During the first six months of 1986, price competition significantly reduced People Express Airlines' yields, the impact of which was exacerbated by an approximate 3.8 percentage point decline in its load factors as compared to the comparable period in the prior year. As a result of these competitive conditions, People Express Airlines sustained a net loss of approximately $73.9 million for the first six months of 1986. In addition, Frontier Airlines, Inc. ("Frontier") which was acquired by the Company in November 1985 incurred a pretax loss of approximately $88.8 million during the same period, primarily because its relatively high cost structure prevented Frontier from operating profitably in the face of increased price competition at its Denver hub. Accordingly, Company and its subsidiaries incurred a consolidated net loss of approximately $132.5 million (after giving effect to a tax credit and before preferred dividend requirements) for the first six months of 1986.

In view of the prospects for continuing significant losses at Frontier and increasing demands on the Company's cash resources caused by the operating losses at both People Express Airlines and Frontier, the Company announced on June 23, 1986 its intention to seek buyers for part of or, under certain circumstances, all the Company.

Having received an offer from United Air Lines, Inc. ("United") to acquire Frontier for $146 million and an offer from the Purchaser to acquire the Company, the Company decided on July 10, 1986 to accept the United offer, in part because the Board of Directors was advised that there appeared to be significantly greater risks to the completion of the Purchaser's proposal than to the completion of the United proposal. Although the United proposal was subject to various conditions, including, approval of the transaction by United's pilots.

During July and August 1986, United negotiated with its pilots union as to the period of time over which Frontier's pilots would achieve wage parity with United's pilots. Despite the efforts of various parties to act as mediators, United and its pilots union were unable to reach an agreement with respect to integration of Frontier's pilots. As a result, the Company was forced on August 24, 1986 to suspend all Frontier flight operations. Despite Frontier's cessation of operations and continued efforts by the Company to reach a compromise with United, and finally to find other buyers for Frontier or substantially all of its assets, such efforts were unavailing and on August 28, 1986, the Company caused Frontier to file for bankruptcy reorganization relief as a debtor-in-possession under Chapter 11 of the United States Bankruptcy Code.

It was the Company's expectation that the sale of Frontier to United would relieve the Company of the need to fund Frontier's continuing losses and would provide the Company with the capital resources needed to maintain its financial condition while it attempted to return People Express Airlines to profitability. Although the Company received approximately $47 million from certain asset sales to United prior to the termination of the United agreement, the loss of the balance of the proceeds from the Frontier sale had a material adverse effect on the Company's cash resources and liquidity and has severely jeopardized the long-term viability of the Company.

On September 5, 1986, after termination of the United agreement, the Company and the Purchaser commenced discussions with respect to the acquisition of the remaining operating assets of Frontier and the merger of the Company with the Purchaser.

The Board of Directors unanimously approved the merger terms offered by the Purchaser on September 14, 1986 which are set forth in the merger agreement between the Purchaser and the Company entered into on September 15, 1986 (the "Original Merger Agreement"), and recommended the approval and adoption of such terms by the stockholders of the Company.

Such terms made the merger conditional upon, among other things, completion of satisfactory agreements with Frontier's unions, the approval of the merger by the United States Department of Transportation and the agreement by holders of a sufficient outstanding principal amount of publicly held debt securities of People Express Airlines to exchange their securities for new securities having lower interest rates and other modified terms that will decrease the interest payable on such securities by at least $12.8 million in the year following the merger.

At the time of the Original Merger Agreement, the Company provided the Purchaser with projections of People Express Airline's operating results showing a modest projected loss for the 1986 third quarter and an estimated breakeven for the fourth quarter. However, primarily as a result of the greater than anticipated publicity regarding the Company's deteriorating financial condition, People Express Airlines experienced a sharp decline in its traffic and, due to competitive price pressures, a decline in its yield during the third quarter. These factors adversely affected, and continue to affect adversely, People Express Airlines results of operations. In October 1986, the Purchaser was advised by the Company that People Express Airlines' loss for the third quarter was approximately $40 million and that a revised projection for the fourth quarter indicated a substantial loss. Citing the magnitude of these unanticipated losses, the Purchaser initiated discussions with the Company in late October to renegotiate the terms of the Original Merger Agreement. By this time it had become clear that People Express Airlines required substantial additional funds to meet its cash operating and debt service requirements through the end of the year. The Purchaser took the position that it was not obligated to provide any additional financing to People Express Airlines and that it was not possible for the Company to satisfy all the conditions to the obligation of the Purchaser to consummate the Merger without such additional financing.

On October 31, 1986, the Company's Board of Directors met to consider the proposed revised terms for the merger providing for among other things a reduction in the consideration to be received by the common stockholders in the Merger, significant concessions from holders of preferred stock of the Company, the modification of certain provisions of People Express Airlines' Terminal C Lease Agreement at Newark International Airport, and the agreement by the holders of at least 85 % of the outstanding principal amount of the Bonds to tender their securities to the Purchaser for cash equal to 65 % of the principal amount of of the Bonds pursuant to a proposed tender offer (the "Offer") by the Purchaser. In return for such concessions, the Purchaser agreed to provide up to $ 40 million of additional secured loans to People Express Airlines prior to consummation of the Merger ("The Loan Agreement") of which $ 25 million has been advanced and $ 15 million would be advanced upon successful completion of the Offer.

At its meeting on October 31, 1986 and at a subsequent meeting on November 2, 1986, the Board of Directors of the Company reviewed the proposed revisions to the Original Merger Agreement with the Company's financial and legal advisors and, after considering various factors, unanimously approved the Merger Agreement. In approving the amended Merger Agreement the Board of Directors considered many factors, including, but not limited to the following:

(i) the deteriorating financial condition of the Company caused, in part by the concern of air travelers as to the future of People Express Airlines;

(ii) the Company's anticipated results of operations for the fourth quarter of 1986;

(iii) the Company's need for substantial additional funds to meet its operating and debt service requirement prior to the earliest time that the Merger could be consummated; and

(iv) the probability that, in the absence of the financing to be provided in accordance with the terms of the Merger Agreement, the Company would not be able to satisfy all the conditions to the obligation of the Purchaser to consummate the merger contemplated by the Original Merger Agreement.

Certain Considerations

The Bonds are unsecured obligations of the Company. The only significant asset of the Company is its ownership of the outstanding Common Stock of People Express Airlines. Such ownership is subject to the right of the Purchaser to convert pre-Merger working capital advances made under the Loan Agreement into up to 40% of the People Express Airlines' Common Stock. In the event that the the note is converted into People Express Airlines common stock prior to the Merger, the issuance of such shares of common stock will be rescinded upon consummation of the Merger, to the extent permitted by law, with the result that People Express Airlines wil remain a wholly-owned subsidiary of the Company. Such pre-Merger advances are expected to aggregate $ 40 million at the effective time of the Merger. As of September 30, 1986, People Express Airlines had outstanding $ 309 million in secured debt, $ 118 million in other secured obligations (including capitalized lease obligations) and $ 185 million in unsecured notes. On September 30, 1986, the Company owed People Express Airlines $70 million with respect to a note payable. Pursuant to the Loan Agreement, People Express Airlines has granted to the Purchaser a security interest in such note payable. In addition, since September 30, 1986, People Express Airlines has incurred $45 million in additionnal secured indebtedness to the Purchase.

In the event of a liquidation of People Express Airlines, amounts owed by People Express Airlines to its secured and unsecured creditors would be paid before any amount would be realized by the Company as the holder of People Express Airlines' Common Stock. Because People Express Airlines' aggregate indebtedness at September 30, 1986 was $ 749. 1 million and because it is likely that the Company's net equity in People Express Airlines in the event of a bankruptcy liquidation would be significantly less than People Express Airlines' net book value of $85 million as of September 30, 1986, the Company believes that any amounts payable with respect to People Express Airlines' Common Stock will not be sufficient to pay any significant amounts with respect to the Bonds.

In the event the Merger is not consummated, certain substantial claims against the Company and People Express Airlines that have been or may be waived by certain of ~~Frontier's unions or union employees who~~ are parties or beneficiaries of certain labor agreements may be reasserted against People Express and People Express Airlines. Although the Company does not believe that it or People Express Airlines it is liable for such claims, the financial condition of the Company and People Express Airlines would be adversely affected if such claims are pursued successfully against it.

If the holders of the requisite principal amount of Bonds do not accept the Offer, the Merger Agreement may be terminated by the Purchaser and the Company may well be required to seek protection under Chapter 11 of the United States Bankruptcy Code.

Consequently, the Company believes that prompt acceptance of the Offer by Bondholders is in the best interests of such Bondholders in that acceptance of the offer by holders of at least 85% of the aggregate principal amount of the Bonds will most likely be necessary to maintain the financial viability of the Company.

Selected Financial Information / People Express

The following is the balance sheet of the Company (Parent Company only) as of September 30, 1986 and December 31, 1985.

PEOPLE EXPRESS, INC.
(Parent Company Only)
Balance Sheets
Unaudited

ASSETS	September 30, 1986	December 31, 1985
	(In Thousands)	
Currents assets:		
Cash and marketable securities	$ 9,609	$ 6,722
Receivables due from subsidiaries	4,351	763
Prepaid expenses	100	–
Total current assets	14,060	7,485
Investment in subsidiaries, at equity:		
People Express Airlines, Inc.	95,476	210,924
Frontier Holdings, Inc.	9,500	93,052
Britt Airways, Inc.	34,259	–
Provincetown – Boston Airline, Inc.	3,732	–
Total	142,967	303,976
Advances to subsidiaries	3,290	–
Special funds	411	15,318
Deferred financing costs	2,360	–
Deferred merger costs	1,351	–
Due from Frontier Airlines Inc.	865	–
Total Assets	$ 165,304	$ 326,779

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 1986	December 31, 1985
Current liabilities:		
Due to subsidiaries	$ 6,817	$ 12,453
Accrued interest payable – 5½ % Swiss Franc convertible debentures	1,177	–
Other	–	585
Total current liabilities	7,994	13,038
5½ % Swiss Franc convertible debentures	91,275	–
Advances from subsidiaries:		
People Express Airlines, Inc.	70,000	103,048
Britt Airways, Inc.	32,794	–
Total advances	102,794	103,048
Stockholders' equity		
Cumulative Convertible Preferred Stock – Series A	35	35
Cumulative Convertible Preferred Stock – Series B	14	14
Cumulative Convertible Preferred Stock – Series C	–	–
Common Stock	255	244
Class B Common Stock	12	19
Additional paid-in capital	286,226	279,498
Accumulated deficit	(308,670)	(53,994)
Less notes receivable – restricted stock purchase plan	(14,631)	(15,123)
Net stockholders' equity	(36,759)	210,693
Total Liabilities and Stockholders' Equity	$ 165,304	$ 326,779

Notes to Financial Statements

(1) *The Company*

People Express, Inc. (the «Company») was formed during 1985 and is the holding company of People Express Airlines, Inc., Britt Airways, Inc. («Britt») and Provincetown-Boston Airline, Inc. (PBA) and was the holding Company for Frontier Holdings, Inc. until October 30, 1986 when Frontier Holdings, Inc. was sold to the Purchaser. The Company became the parent corporation of People Express Airlines, Inc. on August 28, 1985 pursuant to an Amended and Restated Agreement of Merger and Plan of Reorganization (the «Plan of Reorganization»). On November 22, 1985, the Company acquired Frontier Airlines, Inc. for cash by merging a newly-formed subsidiary of the Company with and into Frontier Holdings, Inc. the parent corporation of Frontier Airlines, Inc. On February 26, 1986 the Company acquired all of the outstanding capital stock of Britt, a regional airline providing scheduled commuter service to cities in the Midwest. In May 1986, the Company acquired, pursuant to a plan of reorganization under the Federal bankruptcy laws, the capital stock of PBA which provides scheduled commuter service to airports located principally in Massachusetts and Florida. Certain reclassifications were made in the 1985 Financial Statements to conform with the 1986 Financial Statements.

(2) *Basis of Presentation*

The Company recorded its initial investment in People Express Airlines, Inc. at the net book value of that airline as of the effective date of the Plan of Reorganization. The Company's initial investment in Frontier Holdings, Inc., Britt Airways, Inc. and Provincetown-Boston Airline, Inc. were recorded at their purchase costs. The Company's equity in the net losses of its subsidiaries is reflected in the above statement of operations and accumulated deficit from the dates of acquisition, and with regard to People Express Airlines from the date of the Plan of Reorganization.

(3) *Other information*

These financial statements should be read in conjunction with the consolidated financial statements of People Express Inc. and Subsidiaries at September 30, 1986 included in the Offer.

Selected unaudited consolidated financial data of People Express, Inc. and its subsidiaries:

	Nine months ended 9/30/86	9/30/85
	(in Thousands) Unaudited	
Operating revenues	1,008,632	707,287
Income (loss) from operations	(131,871)	51,053
Income (loss) before income taxes	(272,872)	12,613
Net income	(245,360)	10,683

Selected unaudited consolidated financial information/the Purchaser

The following table summarizes certain unaudited consolidated financial data with respect to the Purchaser.

THE PURCHASER

SELECTED UNAUDITED CONSOLIDATED FINANCIAL INFORMATION (1) (2) (3)
(In thousands, except per share data)

	Nine Months Ended September 30, 1986 (Unaudited)	1985
Income Statement Data:		
Operating Revenues	$ 1,662,631	$ 1,447,652
Operating Income	112,192	160,573
Other Income (Expense)	(32,340)	(35,889)
Income Before Income Tax And Extraordinary Credit	79,852	124,684
Extraordinary Credit	18,500	56,284
Net Income	73,652	122,580
Fully Diluted Earnings Per Share:		
Income Before Extraordinary Credit	$ 1.84	$ 2.93
Extraordinary Credit	.66	2.57
Net Income	$ 2.50	$ 5.50
Average Number of Shares Utilized to the Earnings Per Share Computation	29,327	21,921
Balance Sheet Data at end of period:		
Working Capital	$ 609,318	$ 475,741
Total Assets	2,612,104	1,723,036
Long-Term Debt, Net of Current Maturities	1,250,626	762,991
Obligations Under Capital Leases Net of Current Maturities	164,485	160,137
Total Non-Redeemable Preferred Stock and Common Stockholders' Equity	579,773	146,449

(1) Purchaser's auditors have qualified their report on Purchaser's consolidated financial statements for the years 1985, 1984 and 1983 due to uncertainties relating to Continental and its subsidiaries. In addition, Purchaser's auditors have informed Texas Air that if the uncertainties relating Continental and Eastern, discussed in Note 17 to the Purchaser's amended consolidated Financial Statements for the years ended December 31, 1985, are not resolved, they expect to qualify their report on Purchaser's 1986 consolidated financial statements.

(2) Purchaser's consolidated financial results for the nine months ended September 30, 1986 do not include Eastern's financial results. On October 1, 1986, the United States Department of Transportation issued a final order approving the Eastern. In accordance with generally accepted accounting principles, Purchaser's consolidated financial statements for periods prior to the issuance of the DOT order will be restated to reflect Purchaser's investment in Eastern under the equity method of accounting until such time as Purchaser's had acquired over 50 % of the voting stock, and on a consolidated basis thereafter. Accordingly, on a restated basis, Purchaser's consolidated net income for the nine months ended September 30, 1986, would decrease by approximately $ 18,500,000 (or a reduction in earnings per share of $ 0.63 on a fully diluted basis).

(3) Includes approximately $ 75,200,000 of charges against Income for the nine months ended September 30, 1986 relating to the estimated settlements of bankruptcy claims, previously unaccrued Interest on unsecured obligations and accrual of additional bankruptcy-related professional fees and approximately $ 12,700,000 of charges against income for the nine months ended September 30, 1985 relating to bankruptcy claims.

Source of Funds

The Purchaser expects to provide the funds required to purchase all outstanding bonds from cash on hand, and the liquidation of short-term investments and marketable securities.

Risks to Non-Tendering Holders; Conversion of Bonds After Merger

The purchase of Bonds pursuant to the Offer may have significant consequences for holders of the Bonds who do not tender them in the Offer.

Liquidity; Trading Market

The purchase of Bonds pursuant to the Offer could adversely affect the liquidity and market value of the remaining Bonds, if any, held by the public.

Change in Terms of Bonds

If the Offer is successfully completed, the Purchaser currently intends to call a special bondholders' meeting to vote on several proposed changes to the terms of the Bonds, including elimination of the negative pledge provision and reducing the interest payable on the Bonds to zero for up to five years.

Under Swiss Law, such amendments would require approval by the holders of two-thirds of the aggregate principal amount of the Bonds outstanding. Assuming the Purchaser purchases more than two-thirds of the aggregate principal amount of the outstanding Bonds pursuant to the Offer, the Purchaser would be able to effect such amendments without the consent of any other bondholder. The Purchaser may also propose other changes to the terms of the Bonds which could adversely affect the market value of the Bonds.

Conversion of Bonds After the Merger

The Company and Banque Paribas (Suisse) S.A. have advised the Purchaser that outstanding Bonds will be convertible at their conversion price therof only into the number of units of merger consideration that would have been received had such Bonds been converted into Company Common Stock immediately prior to the Merger.

Requests for copies of the Offer to Purchase and the Letter of Instructions may be directed to the Principal Paying Agent or any Paying Agent, and copies will be furnished promptly at the Purchaser's expense. No fees or commissions will be payable to any Paying Agent for soliciting tenders of Bonds pursuant to the Offer.

The Paying Agents include all offices throughout Switzerland of the following institutions:

BANQUE PARIBAS (Suisse) S.A.
2 Place de Hollande
1204 GENEVE

BANQUE GUTZWILLER, KURZ, BUNGENER S.A.
Rue Bovy-Lysberg 17
1204 GENEVE

SODITIC S.A.
Rue du Rhône 118
1204 GENEVE

BANQUE KLEINWORT BENSON S.A.
Place du Rhône 2
1204 GENEVE

BANQUE AUDI (SUISSE) S.A.
Rue Mattot 2
1206 GENEVE

BANQUE NATIONALE DE PARIS (Suisse) S.A.
Aeschengraben 26
4051 BALE

SOCIETE BANCAIRE JULIUS BAER S.A.
2, Boulevard du Théâtre
1204 GENEVE

CHEMICAL N.Y. CAPITAL MARKET CORPORATION
Rue du Rhône 19
1204 GENEVE

INDUSTRIAL BANK OF JAPAN (Schweiz) AG
Schützengasse 4
8023 ZURICH

BANQUE SCANDINAVE EN SUISSE
Cours de Rive 11
1204 GENEVE

NIPPON KANGYO KAKUMARU (Suisse) S.A.
Rue des Pâquis 36
1201 GENEVE

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, Zurich Branch
Bleicherweg 15
8002 ZURICH

BANQUE HEUSSER & Cie AG
Dufourstrasse 25
4052 BALE

BANQUE INDOSUEZ
Avenue de la Gare 4
1003 LAUSANNE

BANQUE PASCHE S.A.
Rue de Hollande 10
1204 GENEVE

CHASE MANHATTAN BANK (Switzerland)
Genferstrasse 24
8002 ZURICH

COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS
Place Camoletti 8
1211 GENEVE 3

THE LONG-TERM CREDIT BANK OF JAPAN (Schweiz) AG.
Dreikönigstrasse 21
8039 ZURICH

SAMUEL MONTAGU (Suisse) S.A.
Place du Molard 7
1211 GENEVE 3

This announcement does not constitute the formal offer to purchase within the meaning of the applicable securities laws of the United States nor a solicitation of an offer to sell Bonds. The offer is made solely by the Offer to Purchase and the related Letter of Instructions referred to above, and is not being made to, nor will tenders be accepted from, or on behalf of, holders of Bonds residing in any jurisdiction in which the making of the offer or the acceptance thereof would not be in compliance with the securities or other laws of such jurisdiction.

UK COMPANY NEWS

BP reaches £1.6bn at nine months

BY MAX WILKINSON, RESOURCES EDITOR

BRITISH PETROLEUM yesterday announced a third quarter after tax profit of £362m on a replacement cost basis, bringing its profit for the first nine months of the year to £1.58bn, before a write-down of £316m.

After the write-down reflecting the difficulties of Standard's Oil in the US, the third quarter replacement cost profit was just £75m less than in the same period last year.

The third quarter profit was, however, increased substantially by a one-off tax-credit resulting from the programme of disposals and re-organisation of Standard. The amount of this tax credit is not disclosed in the accounts, though the aggregate tax charge from all its overseas operations resulted in a credit of £73m.

The relative stability of oil prices between the end of the second and third quarters of the year brought BP's historic and after tax profits much closer together than in the first six months. This reflects the fact that the company was not forced to make a major change in the valuation of its stocks as in the earlier part of the year. Historic cost after tax profits were £345m for the quarter.

In the third quarter there were no extraordinary charges to be set against group profits. This was in contrast to the £277m write-down in the second quarter to take account of the reduced value of Standard Oil's leases following the collapse in oil prices.

BP Oil International's replacement cost operating profit declined from £400m in the first quarter to £300m in the second quarter and £212m in the third quarter. However, at this level it is still almost 40 per cent more than the level in the third quarter of 1985.

A similar pattern can be seen in the international chemicals business though the decline in operating profits was much gentler, from £53m in the first quarter to £48m in the third quarter. The third quarter operating profit was however more than twice the level in the same period last year, reflecting the halving of crude oil prices in the period.

Despite the accounting benefit of Standard Oil's tax credit, in the latest quarter its contribution to group profits was meagre at £116m before tax and interest charges. This compared with £556m in the same period last year. For the first nine months of the year Standard's operating profit was £354m (replacement cost) compared with £1.85bn last year. Its profit on refining and marketing in the third quarter almost doubled to £117m compared with last year, but exploration and production moved into a loss of £9m compared with a profit of £546m in the same quarter last year.

THIRD QUARTER RESULTS

July to September	1986 £m	1985 £m
Replacement cost operating profit	570	1,115
Realised stock holding loss	17	61
Historical cost operating profit	553	1,054
Interest expense	128	132
Profit before tax	425	922
Tax	(9)	330
Profit after tax	434	592
Minority interests	(89)	(176)
Profit for the period	345	416

● comment

After a tumultuous first half of the year the oil market became settled enough in the third quarter to allow investors to gain a relatively undistorted picture of how BP looks in a world of $15 oil. The £1bn stocks write down in the first half is not likely to be repeated, and the company may even gain a little from stock changes if the oil market remains firm. Allowing for the special tax credit from Standard, underlying profits may have been about £260m on a replacement costs basis. This would suggest after tax profits for the full year not far from last year's £1.6bn before extraordinary items. From now on, however, results will reflect the weakening margins in the downstream sector which are likely to feel the continued squeeze of competition. Though Standard may be past the worst, the best hope for the group must be that a post-Yamani Opec will do the beneficial thing.

See Lex

Ferruzzi unveils £425m sugar deal

By Charles Batchelor

Ferruzzi, the Italian food and agricultural group, yesterday unveiled the details of a £425m deal to acquire 70 per cent of British Sugar, the UK sugar beet monopoly, from S. & W. Berisford, the commodity trading and sugar processing group.

The deal, which is still dependent on approval from the Monopolies and Mergers Commission, was announced on the same day that Tate & Lyle, Ferruzzi's rival for the hand of British Sugar, revealed it had increased its stake in Berisford from 10.5 to 13.5 per cent.

Ferruzzi and Berisford have been engaged in talks for the past eight months aimed at securing Ferruzzi's entrance to the UK sugar market. For much of that time Tate has been attempting to win control of British Sugar for itself. Ferruzzi is Europe's largest sugar prodocer and Italy's third laregst company.

As part of the agreement, Ferruzzi has legally bound itself to maintain existing British Sugar capacity, to harvest 80,000 tonnes of sugar beet a day during the sugar campaign and to carry out no plant closures at British Sugar for at least five years.

It has also pledged itself to maintain adequate capital investments at British Sugar.

The existing board of British Sugar, which is headed by Mr Ephraim Margulies, Berisford's chairman, and Mr Peter Jacobs, will remain intact but five Ferruzzi directors will also be appointed as well as two independent directors who have yet to be chosen.

Mr Jacobs, British Sugar's managing director, said the agreement was not intended to present the Monopolies Commission with a fait accompli.

But Mr James Kerr Muir, Tate's finance director, commented: "This could be seen as a pre-emptive strike. The principle of whether Ferruzzi is acceptable as a buyer of British Sugar is not affected by this deal."

Ferruzzi will finance the purchase of the British Sugar holding with £147m of cash and £278m of debenture stock carrying interest at a quarter per cent of London Interbank Rate and repayable after seven years.

The debentures are not convertible into Ferruzzi shares and Berisford will not acquire any Ferruzzi shares as part of the deal.

Ferruzzi has built up a stake of 23.7 per cent in Berisford and is prevented from buying any more by an agreement with the Office of Fair Trading. Its voting stake is limited to 15 per cent. The same limits apply to Tate but its shareholding is still a long way below that level.

Beecham hits £155m but warns on dividend growth

BY TONY JACKSON

Beecham has produced figures at the top end of market expectations under its new chairman, Mr Bob Bauman, with pre-tax profits for the six months to September up by 12 per cent to £155.2m. Sales rose from £1.26bn to £1.36bn.

Mr Bauman, however, gave clear warning that dividend growth would be lower over the next few years as Beecham stepped up spending on drug development and consumer advertising.

The interim dividend was held at 5.1p net, partly to restore the balance between interim and final.

Mr Bauman said the sale of the home improvements division and the Germaine Monteil cosmetics business was imminent, with expected proceeds at least equal to book value of around £170m.

The resulting elimination of group debt would be treated as an opportunity for expansion. The group also announced the £4m sale of the private trade and export drinks business of Findlater Mackie Todd to management.

Mr Bauman said the hunt for e group financial director was now over. The new appointment was from the UK, and would be announced shortly.

Norcliff Thayer, the US proprietary medicine company acquired at the end of December for £255m, had done well, Beecham said, with its Tums antacid tablets reaching brand leadership in the US market. The acquisition had covered its financing costs in the first half, and would do so for the full year.

The prescription drug business performed strongly in the US, the UK and some Continental European countries. Augmentin, the new antibiotic, showed sales growth of 73 per cent.

Mr John Robb, group managing director, said the main problem areas had been the home improvement business worldwide, and the Germaine Monteil business in the US. The Germaine Monteil business had lost millions. "I believe those figures confirm the correctness of the decision to get out of that part of the business," he said.

Another problem in the US was the failed launch of Delicare, a cold water detergent, at a cost of over £10m. Mr Robb said: "I personally feel we will be taking a much closer look at new product launches around the world in future—markets are getting so much more competitive."

Mr Bauman added: "Beecham has been very efficient in the past at giving old brands new life, and growing that way is much more efficient."

Mr James Pollard, head of the pharmaceutical division, said spending on research and development, particularly in the later stages of clinical trials, would be stepped up in order to bring new drugs to the market faster.

"Our spending has tended to rise in line with sales in the past," he said. "This year we expect to see it several percentage points higher, and we will see the trend accelerate over the next couple of years."

The group's shares fell by 7p yesterday to 424p.

See Lex

TRADING PROFITS

Half year	Sept 1985 £m	Sept 1986 £m
Prescription medicines	67.7	60.7
OTC medicines	34.3	16.7
Toiletries, drinks and other	54.5	49.5
Cosmetics and home improvements	22.8	22.6
Total	179.3	149.5
Geographical analysis		
UK	54.5	49.9
Rest of Europe	49.0	40.8
The Americas	55.2	42.2
Asia and Australasia	14.2	12.4
Africa	6.4	4.2
Total	179.3	149.5

Miss Sam clears the way for its market debut

BY RICHARD TOMKINS

MISS SAM, the fashion design company whose flotation was postponed earlier this week by a last-minute hitch, will today be publishing the prospectus for a placing which will bring it to the main market with a capitalisation of £16.8m.

Some 4m shares, representing 25 per cent of the equity, are being placed by stockbrokers Capel-Cure Myers at 105p a share.

The issues will make a multi-millionaire of the company's 38 year-old founder and chairman, Mr Stephen Morris. He is selling 3.4m shares in the issue for £3.5m and will retain a 59 per cent stake in the company worth £10m at the placing price.

The rest of the shares being sold are coming from existing shareholders. The company has a cash surplus and is not raising any funds in the flotation.

Pre-tax profits have risen from £642,000 in 1982 to £2.4m in the year to last September, although these figures exclude some substantial costs relating to extraordinary items and discontinued activities. The shares are coming to the market on an historic price/earnings multiple of 11.1.

Miss Sam said on Wednesday that the hold-up to its flotation was caused by the lodging of a claim against Mr Morris by his uncle, a former shareholder. However, the claim had now been withdrawn irrevocably.

Heath stays confident of fighting off PWS bid

BY NICK BUNKER

C. E. Heath, the insurance broking group, was quietly confident last night about its chances today of fighting off the hostile takeover bid from PWS Holdings, a rival Lloyd's broker.

Heath's shareholders are to meet this morning to vote on Heath's alternative plan for an agreed merger with Fielding Insurance. This deal amounts to a reverse takeover in which senior Fielding executives would form a new management team at Heath, which has suffered widely-publicised problems including staff defections.

Mr Ronnie Ben-Zur, PWS Holdings' chief executive, has said his bid will lapse if shareholders say yes to the Fielding merger. PWS predicted last night, however, that today's vote would be close-run.

Heath's chances of victory appear to have been heightened by the purchase for 505p each of 1.329m Heath shares from the Prudential Corporation late on Tuesday. The buyer was Hambros, the merchant banking group which owns 81 per cent of Fielding.

After securing proxy votes in favour of the Fielding merger, Hambros sold 1.22m of the shares at 470p, registering a loss of several hundred thousand pounds. Hambros said last night that it was prepared to take a short-term loss to secure long-term benefits.

Burton+Debenhams hits £149m

BY CLAY HARRIS

Burton Group yesterday unveiled the first fruits of its rental revolution at Debenhams with an 85 per cent rise in pre-tax profits for the combined stores group.

A 22 per cent rise in earnings per share, meanwhile, propelled Sir Ralph Halpern into a six-figure league unmatched by any other British chairman. Profit-linked remuneration lifted his total pay to £1,004,000, almost double the previous year's figure of £542,000.

The group increased profits and sales across the board in the 52 weeks to August 30, the first full year since the £560m takeover of Debenhams. Total pre-tax profit advanced to £148.7m (£80.2m) on sales up 123 per cent to nearly £1.23bn (£551m).

Turnover increased to £534.4m (£437.8m) at Debenhams and to £693.4m (£551m) in Burton's original "core" businesses.

New selling space accounted for more than half of the latter, but most of the Debenhams advance came from an increase in volume.

Debenhams increased trading profit by 35 per cent to £76.4m (£56.6m). In the core businesses the advance was 27 per cent to £103.5m (£81.6m).

Sir Ralph said that the group's performance was "most satisfactory" given the challenge of trebling its selling space from 2¼m to more than 7¼m sq ft.

The company planned to continue to develop Debenhams as e profitable model for UK department stores. Its new Preston store, which had a "closely edited range" of fashion and furnishings, was trading above budget.

Burton would continue to reduce the role of outside concessions in its stores. From a 50 per cent share at takeover, concessions now accounted for only 43 per cent of overall Debenhams sales and 20 per cent at Preston.

The group had reduced its debt to £180.1m at August 30 from £260.9m a year earlier—debt peaked at more than £300m last autumn.

Burton had raised £80m through sale and leaseback arrangements, £50m through the disposals of the Hamleys toy shops and Lotus shoe manufacturers and £70 through the creation of a property associate.

It had reduced gearing to 30 per cent, from 71 per cent at the end of the previous year.

Capital investment amounted to £112.4m (£75.1m). The company plans to spend up to £200m on Debenhams alone over the next two to three years, generating the funds internally.

A proposed final dividend of 4.1p would make a total of 5.7p (4.4p).

Rodime shows heavy losses

By Terry Povey

Rodime, the Scottish manufacturer of hard disc memories for computers, slipped heavily into losses in its final quarter to September and has as a result reported an operating loss for the year of £2.74m—which compares with a profit of £12.18m in 1984-85.

Although the company had warned of the possibility of a fourth quarter operating loss, analysts were surprised at its extent. The loss per share for the year was 39.2p against earnings of 115p previously.

Turnover for the 12 months to September was down £9.6m to £66.3m. After interest received plus investment income of £1.1m (£2.67m) a pre-tax loss of £1.64m (£14.85m profits) was reported.

As much of Rodime's income is not offsettable, taxes paid claimed £1.44m (£5.84m) producing losses attributable to shareholders of £3.1m (profit of £9m).

In a statement, Rodime said that the new product programme was not sufficiently advanced to "assure a return to profitability in the coming quarter."

The shares closed up 8p at 418p. Rodime shares were first quoted in February at just under £9.

AB Ports agreed £14.9m bid for Grosvenor Square

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Associated British Ports emerged yesterday as a significant force in the property industry when it announced an agreed takeover for Grosvenor Square Properties that valued the company at £14.9m.

The takeover represents a substantial widening of AB Port's property interests which, from next year onwards should provide about half the group's revenue, bolstering the income from the provision of port services. AB Ports is the largest port operator in the UK and was once a nationalised company.

AB Ports is offering three of its own shares for every seven in Grosvenor, thus valuing the Grosvenor shares at 120.4p on the basis of last Wednesday's prices.

Before Grosvenor announced a week ago that it was in bid talks, its shares had been trading at 100p. But the offer price is some 65p more than the net asset value per share disclosed in Grosvenor's last annual report.

Sir Keith Stuart, the AB Ports chairman, said that the price reflected the fact that Grosvenor's development programme, which has an investment value of £100m, has moved forward.

This programme, which includes the Pavilion site in London's Piccadilly, the Colonnades shopping centre in Bath and e venture on Bishopsgate in the City, is one reason why Grosvenor attracted AB Ports.

The other, Sir Keith said, is the Grosvenor management team. "We have a very substantial land bank and we've been going into development through joint ventures because we've not had the in-house expertise. Now we greatly enhance our ability to maximise our assets."

The acquisition of Grosvenor will make little impact on the AB Ports figures for 1986 on which the group is intending to pay a dividend of a total 6p net against 5p in 1985. Pretax profits in the six months to June were £11m against £4m.

Grosvenor itself made a pre-March of £78,000 after e profit tax loss in the year to last of £1.03m the year before.

Ranger and Berkeley Ex. agree terms

By Max Wilkinson, Resources Editor

Ranger Oil, Canadian energy group, yesterday in effect won its battle for the control of Berkeley Exploration and Production after the withdrawal of UK-based Clyde Petroleum from the contest.

The boards of Ranger and Berkeley announced agreed terms for an increased final offer at 64p cash for each Berekeley share, valuing the company at £15.6m. Six weeks ago, before the first offer from Ranger, Berkeley shares were trading at about 30p.

Clyde, which had made a counter bid worth £14m, yesterday agreed to sell its 6.1m Berkeley shares to a Ranger subsidiary at the new offer price.

Ranger now controls just less than 60 per cent of Berkeley, and is confident of obtaining the necessary 90 per cent acceptances when the offer is formally put to the remaining shareholders.

After a first offer of 45p, Ranger increased its bid to 62p before its final yesterday. Mr Andrew Wilson, managing director of Berkeley, said yesterday that the increased offer fas in the best interests of shareholders, adding that he had received satisfactory assurances about the future of Berkeley employees.

The revised offer followed an announcement by Clyde yesterday that it had completed the purchase of 25 per cent in Berkeley for £3.5m, financed by a rights issue, to institutional shareholders. It sold the stake immediately.

Ward's offer for LCP extended

Ward White, the fast-growing retail conglomerate currently engaged in a £148m bid battle for LCP Holdings, received acceptances on behalf of just 0.42 per cent of the LCP shares by yesterday's first closing date.

Ward White itself owned a 2.57 per cent stake in LCP when it launched its bid last month, and has acquired a further 5.46 per cent holding via an associate. Together with the acceptances, Ward White now controls 8.45 per cent of LCP's equity.

The offer, which has received monopolies clearance, has been extended until December 12.

Commenting on the level of acceptances, LCP finance director Mr John Astill said last night, "I think the figures speak for themselves — they underline the fact that there is no logic in the bid."

LCP shares eased ½p to 186½p on the news while Ward White gained 1p to 313p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Beecham ....int	5.1	Feb 2	5.1	—	12
BET ....int	5	April 7	4	—	16
Boots ....int	2.8	Jan 8	2.5	—	7.1
Brwn Shipley Hldgs int	3.75†	—	3.5	—	9.5
Burton Group	4.1	—	3.15*	5.7	4.4*
Cable & Wireless . int	2.05	—	1.75*	—	6.5*†
Ches. Wholefoods‡ int	2.03	—	—	—	1.54
Extel† ....int	3	Jan 2	2	—	10
Fulcrum Inv ...2nd int	3.6	Dec 31	3.4	5.8	5.6
Hazlewood Foods . int	1	Jan 23	0.67*	—	1.58*
Thomas Locker ...int	0.38	Jan 2	0.38	—	1.3
Scantronic ....int	0.6	Jan 12	0.5	—	1.65
Scot Amer Inv 3rd int	0.485	Jan 5	—	—	1.64**
Tr North Amer Inv int	0.5	—	0.5	—	1.83
Witan Investment . int	0.85	—	0.75*	—	1.63

Dividends shown in pence per share net except where otherwise increased by rights and/or acquisition issues. ‡USM stock § Unquoted stock.


The Young Market: Dorothy Perkins


The Style Market: Principles

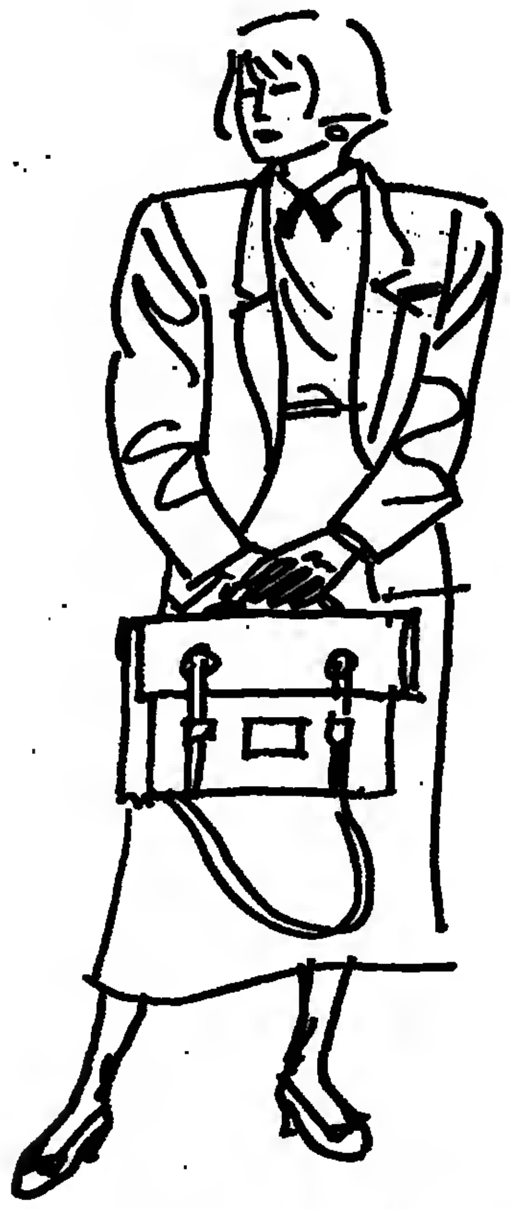

The Teenage Market: Top Shop/Top Man


The Larger Market: Evans

The secret of successful retailing is giving the market what it wants.


The Men's Market: Burton


The Knightsbridge Market: Harvey Nichols


The Family Market: Debenhams


The Stock Market

Once again shareholders get something they like the look of from Burton.

Profits up 85% to £148·7 million. Earnings per share up 22%. Dividend up 29·6% to 5·7p. Group sales up 123% to £1·2 billion. Market share up to 9%. Debt reduced from £261 million to £130 million.

They are excellent figures, but hardly surprising when you recall we've returned record profits for the past six years.

It isn't just our shareholders who have profited. Successful employee achievement has been rewarded, and 24,000 of our staff have participated in performance related incentive schemes that paid £13.1 million.

In fact, all of Britain benefited. Our sales of British made goods were up by more than £150 million last year. We created over a thousand new full time jobs, and of the 1300 young people who joined Burton through the Youth Training Scheme, 70% now have permanent jobs with us.

So much for 1986. But what are we doing about the coming years? We've literally laid the foundations, adding 75 new shops in 259,000 square feet of space, including the first new look Debenhams, which opened its doors last month to the delighted families of Preston.

We've invested an all time record £112 million in UK retailing, and since July 1986 created a further 1200 jobs under the YTS. Our community programme continues to develop new areas of activity, stimulating enterprise and encouraging new businesses, particularly in the North East.

If you're in the market for an investment with a future, we're sure we've got the very thing you have in mind.

The Burton Group plc.
Successfully Managing Change

UK COMPANY NEWS

Cable & Wireless exceeds market hopes with £160m

Cable and Wireless has exceeded market expectations with an 18 per cent rise from £136m to £160m in pre-tax profits for the six months ended September 30 1986.

Operations in the Far East and Pacific continued to provide most of the profits with £103m compared with £96m previously; there was a slight improvement, from £15m to £16m in the contribution from the Western Hemisphere and a similar loss of £3m on UK operations. But during the six months the average US $ exchange rate was $1.51 ($1.29) and had it been unchanged tha profit would have been some £20m higher.

Mr Gordon Owen, Mercury managing director, said that recent cuts in the price of its trunk calls had not affected the break-even date for Mercury, which was expected in the first quarter of the next financial year. Mr Owen said that allowances for price cuts had already been built into Mercury's targets.

Total operating costs amounted to £315m (£336m); central costs were £9m (same) while profits from associated companies came to £14m (£18m) and interest and other income brought in £23m (nil). Minorities took £21m (£17m) leaving attributable profits of £96m (£79m) and stated earnings per share of 9.5p (8.8p).

The interim dividend is increased from 1.75p to 2.05p on tha capital increased by a one-for-one scrip issue in June 1986.

● comment

Whether these were good figures or not from Cable and Wirless is open to debate. The company rightly points to the fact that edverse exchange rates knocked £20m of the pre-tax figure, but omits to remind us that last December's rights issue helped put £23m on — a factor reflected in the uninspiring advance at the bottom line. The market was inclined to indulge this perennial glamour stock and put its shares up 12p to 322p, but in doing so it was looking to the future, not the past. The underlying profits growth in most of its markets is strong, and even with the 27 per cent tariff cut in Kuwait hitting the last quarter'a profits, more favourable exchange rates should enable the group to stride forward to around £360m for the full year. The prospective p/e multiple of 15 may look rich against British Telecom's 9½ or so, but there is enough excitement over Mercury, trans-oceanic cables and developments in Japan to sustain the glamour awhile yet.

BET profits 21% ahead to £49m

BY CHARLES BATCHELOR

BET, the diversified services company, increased pre-tax profits by 21 per cent to £49.1m in the six months ended September 30. This increase was in line with City estimates and was welcomed as confirmation that BET was capable of good profits growth after ahe ctic 3½ years of restructuring.

Despite the rise in profits which was matched by a 22 per cent increase in earnings per share to 15.4p, BET'a shares fell back 8p to 417p yesterday.

This drop resulted from the placing of about 2.4m BET ahares at around 415p hy Icecalm, a BET associate which bought shares in Brengreen and HAT, two companies recently acquired by BET.

Icecalm was used to buy shares, mainly in Brengreen, and then assented these shares to the BET offer, taking BET shares in exchange. This left Icecalm with about 5.9m BET shares to be disposed of. Four institutions took yesterday's placing and the rest will be sold to overseas investors.

BET launched three takeover bids during the six months under review — a £33m agreed bid for Shorrock, the security group; a £32m agreed bid for Brengreen, the cleaning company, and a £109m contested bid for HAT, the building services group.

Shorrock msde a three-month contribution of £300,000 to BET, Brengren contributed about £200,000 from one month'a trading while HAT was not inclnded in this half.

Earnings per share rose from 12.6p to 15.4p with 1.1p of the improvement coming from a reduction in the tax rate from 33 to 28 per cent.

The results include an extraordinary profit of £7m, principally from the reduction from 47.8 per cent to 27.75 per cent of BET's stake in Thames Television, and the sale of BET'a stake in SGB, the scaffolding group, for which BET made an unsuccessful takeover hid.

Turnover rose by 7 per cent from £640.6m to £686.5m.

Industrial services remained the largest contributor to operating profit with a 40 per cent increase from £19.6m to £27.4m.

Borrowing rose by £14m to £320m over the six months period, but £25m of these resulted from the acquisition of the Icecalm shares and will be repaid once they are sold.

BET is increasing its interim dividend to 5p (4p) as part of its plan to balance more evenly the interim and final payments. It paid a total of 16p last time.

● comment

BET'a results have allayed the market's fears thst its hectic acquisition policy would continue to damage its earnings per share performance. Coming after the full year increase in eps of 24 per cent last time, yesterday'a 22 per cent rise indicates BET is finally off the plsteau. The Initial purchase, which many thought hed been too expensive, is having an earlier-than-expected impact on results and the full benefits of other more recent acquisitions have still to show through.

Transport is a problem area however, and little can be done to fledge the currency risks in southern Africa. Clever tax management has brought the tax charge down to 28 per cent, a level which should be sustainable for the year. A combination of acquisitions, organic growth and cost savings should allow BET to make £155m-£160m in the full year to produce nearly 40p of earnings per share. On a fully-taxed prospective p/e of 10.5 BET is still not highly rated. Whatever it does, its shares stand in the shadow of more dynamic conglomerates such as BTR and Hanson Trust.

Subscribers go bananas over Geest's debut

By Richard Tomkins

The offer for sale of shares in Geest, the fruit and vegetable supplier which is being floated on the stock market, closed yesterday heavily oversubscribed—possibly 20 to 30 times.

With 25.6m shares on offer—40 per cent of the equity—at 125p a share, Geest is raisiog £32m in the flotation, so the total sum chasing the issue could approach £1bn. More than 100,000 applications are thought to have been received.

Comparisons had been drawn between Geest's flotation and that of Brake Brothers, another food distributor which came to the market last month. Brake's issue, too, was oversubscribed 25 times, and Geest was seen as a reletively inexpensive issue.

Sumit placing at 135p a share

ALBERT E. SHARP, the Birmingham stockbrokers, has successfully completed the placing of 1.45m shares in SUMMIT, the development capital organisation, at 135p a share. Six institutional investors and 350 private clients of Albert E. Sharp are taking part in the issue, which will briog SUMIT to the main market at a cepitalisation of £8.98m — a discount of 24.8 per cent to its net asset value.

Cradley Print

Cradley Print, West Midlands lithographic printing company, has reported pre-tax profits of £1.2m (£1.05m) on sales of £9.7m (£8.23m) for the year to end June 1986. Earnings per share were 8.3p (6.8p) and the total dividend paid 1.65p (1.5p). On December 6, shareholders will be asked to approve a two-for-one scrip issue that will increase the number of shares in issue to 37.5m.

Blue Arrow

Acceptances of Blue Arrow's rights issue have been received in respect of 8.89m shares or 95 per cent. Shares not taken up have been sold in the market at a net price of 375p.

The net proceeds will be remitted pro-rata to the provisional allottees entitled thereto except that amounts of less than 250p will be retained for the company's benefit.

David Lascelles considers the successful £673m bid for Exco by B&C

A speedy deal rich in irony

ASTONISHING, bold and rich in irony—those were just some of the comments used in the City yesterday to describe British & Commonwealth Shipping Company's eye-catching £673m bid for Exco, the money broking company.

And they all stemmed from one man, Mr John Gunn, the B & C chief executive, who appeared in the company's richly-panelled offices yesterday afternoon, amid oil paintings of sea captains and ocean liners, to say with a smile: "It's a tremendous deal."

Mr John Gunn chief executive of B & C Shipping "It's a tremendous deal"

But the question of where the merger takes B&C in the long run was decidedly secondary yesterday to the circumstances and the speed with which it was all put together. After only a month in charge at B&C, Mr Gunn has re-acquired control of the company he started seven years ago with, as it happens, B&C's financial backing and left in a fit of impatience last year. But he had to race for it.

Exco's much-publicised £320m cash board had attracted a crowd of suitors, including corporate raiders like the Canadian Belzberg brothers to Morgan Grenfell, the blue chip merchant bank. Tan Sri Khoo Teck Puat, the Malaysian businessman had also built a stake of 29.4 per cent, making him the largest shareholder.

Some of them were only kept at bay by the so-called O'Brien Letter, the Bank of Engisnd rule which prevented a bank from owning more than 10 per cent of a money and foreign exchange broker.

According to Mr Gunn, B & C started contemplating the deal only last week, encouraged by Tan Sri Khoo who was growing unhappy with the uncertainty at Exco and the mass defection of staff from WICO, its far eastern stockbroking subsidiary.

When the Bank suddenly announced last Friday evening that it was rescinding the O'Brien Letter, it became a race between B & C and Morgan Grenfell, which immediately began to reassemble an earlier deal which had been thwarted by the Letter.

After a weekend of hectic round-the-world phone calls, B & C managed to line up Tan Sri Khoo and the Belzbergs, who had 10 per cent. Tan Sri Khoo may have been keen on a quick deal in order to pre-empt any backlash effect on his negotiating position arising from the seizure of the National Bank of Brunei which he controls. Among two senior executives of the Bank detained in a Brunei police raid yesterday was Tan Sri Khoo's son.

By last night, B&C could count on more than 50 per cent of Exco's shares, and the deal was to all intents and purposes in the bag. The additional shares were bought in the market by Barclays de Zoete Wedd, the investment banking arm of Barclays Bank, for which this is the largest single deal it has arranged.

Mr Gunn, of course, knows well the business he is about to buy. "Stock analysts always say money brokers have poor quality earnings. But that is not true. They have high quality earnings, and superb cash flow," he said, noting that the world money broking business was dominated by four companies, all of them British-owned, of which Exco is the biggest by far.

His task, however, is to blend Exco into B&C and create a conglomerate with wide-ranging interests that work.

He was keen yesterday to dispel the notion that his group is being channelled down the funnel of a financial services company.

In order to play down the financial services aspect, Mr Gunn will not be retaining Exco's stockbroking activities, which are to be sold under a separate agreement to Banque Indosuez of France.

"We do n ot want to get into the international securities business," he said. One reason is that it requires large amounts of dedicated capital which he is not prepared to commit at a time when the capital markets industry is in a state worldwide upheaval. Another is the potential for conflict of interest with B&C's Gartmore investment management arm.

Mr Gunn will, however, be keeping the London Forfaiting Company, Exco's highly successful trade financing operation, the management of which yesterday supported the deal. LFC is expected to ask its new parent for substantial additional capital to maintain its rapid growth. Exco will also bring one of the largest inter-dealer brokers in the newly-structured gilts market.

If Mr Gunn is now concerned with digesting the acquisition, the eyes of the City will be fixed on the £270m cash box with which he emerges from the deal. This figure excludes £73m which Exco is holding to one side to cover a potential tax liability which it is contesting in the courts.

With this large amount of money to hand, a market capitalisation of £1.2bn and no debt, B & C is in a powerful position to grow rapidly by acquisition, though Mr Gunn was giving few indications as to his plans yesterday.

AE's asbestos doubts

Sir John Collyear, chairman of AE, the engineering group fighting off a hostile bid from Turner & Newall, yesterday returned to the offensive over Turner's asbestos interests and said that Freshfields, the company's solicitors, have written to Turner asking for full details of its current legal exposure.

He said: "Evidence which we have gathered from the US suggests that this exposure could be very much more serious than has so far been appreciated. It is not sufficient for Sir Francis Tombs (chairman of T&N) to state that these matters "have been dealt with fully in the past" and to decline to give further information."

He added: "The facts of the matter are that no less than six companies have filed for Chapter 11 protection in the US as a result of asbestos litigation. The most recent of these, the Manville Corporation, has disclosed claims totalling more than $112bn which includes property claims of $80bn.

Crowther acquisitions

John Crowther Group, one of the UK'a most rapidly expanding textile companies, yesterday announced a further four small ecquisitions for a total cost of £7.5m.

The company said that the acquisitions were an important part of the re-organisation of Crowther's clothing division. It is close to completion of the re-organisation of the carpets division.

The four companies are: the fully fashioned knitwear division of Atkins Bros and three private companies—John Mason and Sons, Stagslax and 85 per cent of Robert Michaels Holdings.

The Atkins subsidiary, which had sales of £3.8m in the year to March 31, 1986, is being acquired for £1.4m. Masons, which to June 30, 1986 made pre-tax profits of £735,000, is costing £5m. Stagslax, which to April 30 reported pre-tax profits of £23,000 on turnover of £1.9m, is being acquired for £266,000, and 85 per cent of Robert Michaels is costing £860,000.

UK COMPANY NEWS

Reduced pension costs lift Boots profit to £98m

Boots, the pharmaceuticals and consumer products company, exceeded City expectations with pre-tax profits up from £85m to £98m in the half year to September 30 1986. The company benofited from e reduction in UK pension contributions which added £4.7m to profits and the directors said that they expected this profit gain to continue at a similar levol.

Turnover for the period moved ahoad to £1.1bn from £981m, excluding Vat.

The directors said that developments within the company ellowed them to be optimistic about the future but added that tha outlook for the rest of the year would be infinenced by the retail division's trading over the Christmas period.

Boots' retail interests contributed profits of £49m (£40.7m) which included a £6.5m (£3.4m) surplus on the disposal of properties. The division's sales increased from £834 mto £899m. UK trading profits rose by 18.2 per cent after absorbing costs to date for the restructuring of Boots The Chemists and the company's new edge-of-town Children's World stores.

The directors said that they antiicpated that the conversion of the recently-acquired Clement Clarke Optical businesses to Boots Optical practices would be completed by April next year and would provide 82 free-standing optical practices and 112 in-store departments.

The industrial division showed profits up from £37m to £41m on turnover of £227 m(£204m). The directors noted that currency exchange rates had reduced profits by £1.3m.

Total exports rose by 43.1 per cent in the period and worldwide research expenditure rose by 20 per cent as expected.

Tax charges rose slightly to £31.8m (£31.4m) and earnings per 25p ordinary share worked through at 8.5p, up from 7.2p last time. Shareholders benefit with an improved interim dividend of 2.8p (2.5p).

● comment

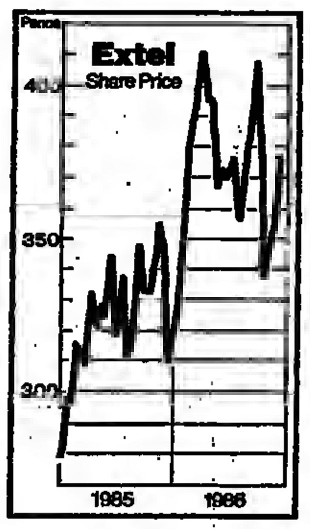
Although the extra pension fund contribution came as a pleasant surprise and pushed the shares up 2½p to 222½p, these figures reveal little about the key issues in Boots' future. The strategic reason behind the high price paid for Flint was to give Boots the opportunity to improve its margins in the US, by selling directly rathar than via licensees. It is much too early to make a judgment on tha wisdom of the move or on the prospects for new drugs like Prothiaden. In the UK, the retailing division has yet to see the effects of the Clement Clarke division or the Children's World scheme. Even in the short-term, there are only mildly encouraging hints about the outlook for Christmas sales. The Boots management needs another year to provo itself but speculation still ebounds on the prospects of e hostile bid and that will give the shares support. On non-property pre-tax profits of £218m, the prospective multiplo of 13 does not indicate that the shares have much upside potential on trading grounds alone.

Extel advances 28% to £7m

BY MIKE SMITH

Extel Group, the sporting and financial information, printing and publishing group, which earlier this year fought off a £170m takeover bid by Demerger Group, yesterday unveiled a 27.5 per cent rise in pre-tax profits, to £7.32m, for the six months to September 30 1986.

Earnings per share were 34 per cent higher at 9.1p and the dividend was raised by 1p to 3p. The results were at the high end of City expectations and yesterday the shares rose 11p to 386p.



Although the Demerger bid failed, Extol continues to be the centre of takeover speculation. Mr Robert Maxwell, one possible predator, was barred by the Takeover Panel from bidding for the company for a year because he was deemed to have acted in concert with Demerger. He will be free to enter the fray again in the spring.

For the year to September turnover, down from £93.14m to £74.26m, was affected by the sale of Royds Advertising and the inclusion of Dealers' Digest, the US financial publishing company. Mr Alan Brooker, chairman and chief executive, said that, apart from Royds, turnover increased by 21 per cent to £67.9m.

Mr Brooker said that Dealers' Digest, bought in August, was already proving a good acquisition with profits up to expectations. The company would continue to seek acquisition opportunities.

Following the decision to sell Extel House, the groups' headquarters for 30 years, trading activities which are carried out there will be relocated. A small corporate headquarters will be maintained in London.

Mr Brooker said the move would result in management benefits and financial savings.

The pre-tax figure was struck after the company, which has no borrowings, received interest payments of £159,000 (£155,000 payable). After tax of £2.65m (£2.54m), minorities of £30,000 (£23,000) and an extraordinary credit of £5.84m (nil) resulting mainly from the sale of Royds Advertising, the profit ettributable was £10.43m (£3.13m).

● comment

With Mr Maxwoll waiting in tha wings the Extel management needs all the ammunition it can muster to convince shareholders of its quality. Yesterday'a results gave it something about which to boast. Tha earnings per share increase is flattered by o reduced taxation charge but the 27 per cent growth in pre-tax profits on reduced turnover represents considerable progress. Further advances will come in the remainder of the year through the printing of prospectuses for the British Gas flotation, through consolidation of the financial services businesses at one centre and through publisher Benn Brothers, which has already more than trebled profits in the three years since Extel acquired it. The lower tax charge, which is largely a result of the company's US purchases, will also help. With profits of about £19m in view for the full year the prospective p/e on yesterday's share price of 386p is about 15.5. Some of that reflects the bid prospects but the shares have been above 400 this year and there is room for growth.

Mowlem offshoot management buy-out

Managers at Contractors' Services Group are to buy the industrial hire operator from John Mowlem.

Tha £4m buy-out follows Mowlem's takeover of CSG's former parent, the scaffolding group SGB, earlier this year.

Mr Stuart Henderson will become chairman and managing director of CSG. As a director of SGB, he was responsible for the takeover of the formerly listed company in 1974. 'Our aim is to go public in the not too distant future," Mr Henderson said yesterday.

CSG hires out powered Aerial work platforms, portable equipment from nine depots in England and Scotland. It had turnover of £6m and pre-tax profits of more than £500,000, after group costs, in the year to September.

Mr Henderson and three colleagues are investing £100,000 for ordinary shares which carry profit-linked voting rights. These voting rights could rise from 20 per cent to 50 per cent within three years if "exceptional" performance and flotation are achieved.

The buy-out is backed by CIN Industrial Investments, venture capital operation of British Coal's pension fund, and Investors in Industry. Mr Philip Maskell of CIN will become a non-executive director.

The institutions' preferred ordinary shares are also profit-linked, with minimum dividend of 8 per cent net.

The buy-out had been floated before the takeover by Mowlem. The construction group said yesterday that it would use the proceeds for general investment.

HTV board considers Dataday disposal

HTV, independent television operator for Wales and the West of England, said yesterday that it was actively studying the sale or closure of Dataday its diary publishing subsidiary.

Dataday's unaudited accounts for the first half of 1985-86 had been "substantially inaccurate," HTV said at yesterday's annual meeting. The company last month reported a £1.58m operating loss in the unit for the year to July 31 and made an extraordinary provision of £4.25m.

Auditors Deloitte Haskins and Sells said that sales for that half had been inflated by about £315,000 by the erroneous duplication of invoices. A member of Dataday's accounting staff, moreover, had made an unsubstantiated adjustment which reduced the cost of sales and creditors by £500,000.

There was no indication of any intention to commit fraud, the auditors reported, and the loss did not arise from previous years.

HTV also reported lower sales in the first three months ot Frost and Reed, its fine arts subsidiary.

Stewart Wrightson sells French stake

Stewart Wrightson, the insurance broking group, is selling for about £298,000 its 65 per cent stake in Stewart Wrightson (France), a subsidiary operating as a general broker of French insurance business.

The buyer, Anglo-Belge France, paid a total of FFr 4.2m, of which FFr 2.8m was payable to Stewart Wrightson.

'Times' Veneer

"THE TIMES" VENEER: Company bas completed placing of 4,694,000 ordinary shares of 5p each et a price of 50p per share. A total of 1.2m now ordinary will be issued as considoration for the acquisition of A. S. Royston, announced earlier this month. Vendors of Royston retained 305,400 of these shares and the balance of 894,600 were placed with new investors. In addition 3.8m shares havo been placed with new investors.

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	Fully taxed
146	118	Ass. Brit. Ind. Ord.	135	—	7.3	5.4	8.3	7.7
151	121	Ass. Brit. Ind. CULS	147	+1	10.0	6.8	—	—
46	28	Armitage and Rhodes	40xd	—	4.2	10.6	5.6	6.1
71	65	BBB Design (USM)	65	—	1.4	2.2	15.5	15.5
204	108	Bardon Hill	204	—	4.8	2.3	23.2	21.3
91	42	Bray Technologies	91xd	—	4.3	4.7	10.8	9.9
201	76	CCL Ordinary	130	—	2.8	2.2	9.2	14.4
152	86	CCL 11pc Conv. Pf.	107	—	15.7	14.7	—	—
256	80	Carborundum Ord.	256xd	—	9.1	3.6	12.4	12.7
94	83	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—	—
32	20	Frederick Parker Group	22	−0½	—	—	—	—
125	60	George Blair	90	—	3.8	4.2	2.3	3.3
94	20	Ind. Precision Castings	94xd	+1	6.7	7.1	6.4	8.3
218	153	Isis Group	153	—	16.3	12.0	8.8	6.8
126	101	Jackson Group	126xd	—	6.1	4.8	8.8	7.7
377	228	James Burrough	366	—	17.0	4.6	10.3	9.4
100	85	James Burrough 9pcPf.	93	—	12.9	13.8	—	—
1036	342	Multihouse NV (AmSE)	790	+40	—	—	41.4	54.0
380	280	Record Ridgway Ord.	377	—	—	—	6.7	11.6
100	87	Record Ridgway 10pcPf	87	—	14.1	16.2	—	—
60	32	Robert Jenkins	65	—	—	—	3.7	6.3
38	28	Scruttons "A"	36	—	—	—	—	—
130	86	Torday and Carlisle	130	—	5.7	4.4	7.8	8.0
370	320	Trevian Holdings	350	—	7.8	2.3	7.3	8.6
74	25	Unilock Holdings (SE)	74	−2	2.8	8.8	13.6	12.8
102	47	Walter Alexander	102	—	5.0	4.9	9.8	9.4
226	190	W. S. Yeates	197	—	17.4	8.8	18.7	21.8
98	67	W. Yorks. I. H. (USM)	93	—	5.6	6.0	13.3	13.3

UK COMPANY NEWS

Chloride recovery under way as profits top £5m

Chloride Group, manufacturer of batteries and related systems, reported a sharp improvement in pre-tax profits, from a depressed £700,000 to £5.3m, in the six months ended September 30 1985.

The operating profit was up from £5.2m to £7.8m despite a fall from £168.2m to £127.1m in sales.

Sir Michael Edwardes, chairman, said that the comprehensive actions initiated earlier this year were beginning to show through, with operating profit 50 per cent higher on lower sales. Interest charges reflected the reduced level of borrowings over the period.

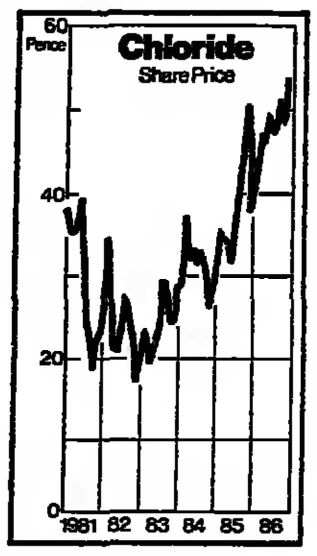
He said that although each of the new product groups — automotive, industrial and power electronics—contributed to the improved performance, there would need to be more progress made in the company's UK automotive batteries, plastics and power electronics operations.

The operating profit was arrived at before charging an exceptional debit of £700,000 (nil); the share of associated companies profits was £500,000 (£400,000), interest charges £2.3m (£4.9m), no UK tax (same) but an overseas charge of £3m (£4.6m). Minority interests took £1.3m (same) but there were no extraordinary credits (£5.7m) leaving attributable profits of £1m (£500,000).

Comparative figures included turnover of £36.1m and losses before tax of £2.3m in respect of the businesses which were sold to Dunlop Olympic during the period. The operating results for the six months benefited by £1.5m from the reduction in pension contributions.

The board expected the improved performance to continue in the second half and in view of the improved results had decided to declare a six months dividend of 3.75p per share on the 7½ per cent cumulative convertible preference shares.

The dividend, which will be paid on January 5 1987 represents the balance of the 2.99p arrears in respect of the period August 7 1981 to June 30 1982 and 0.76p, part of the arrears in respect of the period July 1 1982 to December 31 1982.



● comment

If Chloride were a sunken ship then it would be tempting to see it as having been refloated while doubting its ability to move forward under its own power. Stripping out discontinued operations and putting aside the pensions holiday, then pre-tax profits appear to be ahead only £800,000 to £3.8m. Much of this gain arises from interest saving following debt reduction rather than anything fundamental in the business itself. Payments to minorities suggest that about £4m of pre-interest profits were earned in the Indian and other subsidiaries—which leaves the core UK and US units contributing only £3m between them. There will, however, be some encouragement from the return to payments on the convertible preference stock. With £6m outstanding and around £700,000 a half due, the group's desire to rid itself of these troublesome shares is understandable—but with £45m of unrelieved tax losses already in the bag Chloride could fall into an unrecoverable ACT trap. For the full year £16m pre-tax is being forecast—of which just under half will come from purely financial measures (and possibly the majority of the rest from India) and the shares at 53p fully value the recovery made to date.

Scantronic rises to £0.5m at six months

CONTINUED strong growth and further market penetration enabled Scantronic Holdings to lift its profits for the six months to September 30 1986 from £356,000 to £527,000 pre-tax.

Turnover pushed ahead by £1.85m to £3.79m and operating profits by £279,000 to £593,000—the USM quoted group manufactures control and data communication equipment.

The directors said yesterday that the group was continuing to achieve record levels of orders for all of its products which,together with new products being developed and the potential of existing markets, enabled them to look to the future with considerable confidence.

Tax for the half year accounted for £184,000 (£142,000) and left net profits at £343,000 against a previous £214,000.

Earnings emerged at 3.15p (2.04p) and the interim dividend is being lifted from 0.5p to 0.6p net per 10p share.

Profits soar at Cheshire Foods

Cheshire Wholefoods, the natural foods company, reported pre-tax profits up by almost 44 per cent from £280,000 to £402,000 in the six months to September 30 1986. Turnover for this USM-quoted company moved ahead by more than 28 per cent to £4.1m (£3.2m).

The directors said that current trading was satisfactory and they viewed the future with confidence.

They added that a new wholly-owned subsidiary to be known as Cheshire Wholefoods Ltd would enable strategic decisions on the direction of the company to be taken more expeditiously.

Tax charges rose to £130,000 from £87,000 last time and earnings per 5p share moved up to 3.35p (3.79p).

The directors declared an interim dividend of 2.03p. Last year the company paid a single dividend of 1.54p.

BEACON PUBLICATIONS: Company has acquired Willoughby Publications for £140,000.

Hazlewood £3m up and buying again

Hazlewood Foods, the acquisitive pickles and pizza group, yesterday revealed that its profits for the six months to September 30 had risen by £3m to £6.36m at the pre-tax level.

Along with the announcement, the group said agreement had been reached for the acquisition of 75 per cent of Ken Perrett (Evesham), a company engaged in the growing, merchanting and distribution of salad and root crops which are prepared and packaged for major supermarket groups.

Hazlewood's first half 89 per cent profits advance was achieved on the back of a 60 per cent surge in sales to £85m which reflected the group's improved emphasis on businesses with a seasonal bias towards the summer months.

In the light of the performance the interim dividend is being stepped up from an adjusted 0.67p to 1p net per 10p share, an increase of virtually 50 per cent.

During the half year they invested £2.4m in Hazlewood's factories. It is group policy to develop existing businesses and at the same time acquire companies that will enable growth to be maintained.

Trading profits for the first six months pushed ahead from £4.36m to £7.41m.

Initial consideration for Ken Perrett will be £400,000, satisfied as to £160,000 in cash and the allotment of £154,440 ordinary shares. Further consideration may be payable dependent on future levels of profitability in excess of £200,000 per annum.

For the year to June 30 Perrett had a turnover of £5m but incurred a loss of £40,000 pre-tax. Management accounts show that since July the company had returned to profitability. Net assets at end-June were some £50,000.

● comment

Hazlewood has produced outstanding figures so often that even a 91 per cent increase in pre-tax profits disappointed the markets and the shares closed down 4p at 149p. These figures show that the group has not yet lost its knack for expanding organically—around 30 per cent this half—or for spotting cheap strategic acquisitions. The pricing arrangement for Ken Perrett (Evesham) seems to indicate that it is expected to make £200,000 per annum, which makes the exit p/e only 2. Chilled foods—pies, pizzas and pasta—will provide the spur to future growth but the spread of the group's activities limits its exposure to a downturn in any one area. For the full year, £17m pre-tax looks feasible which puts the shares on a prospective p/e of 16. Although it may not attract many buyers at that level, the growth record should discourage selling.

Checkpoint Europe ahead

Checkpoint Europe, engaged in the distribution and sale of electronic surveillance devices, raised its profits before tax from £217,000 to £469,000 in the six months to September 30 1986. Sales improved by £1.96m to £5.27m.

The directors said they believed the positive trend would continue and added that they were looking for a strong second six months.

The profits increase reflected improved productivity per employee, the elimination of the loss-making safe division and a significant turn-round in UK operations.

Half tax accounted for £96,000 (£77,000), and earnings per 25p share emerged at 9.3p (3.5p). Extraordinary debits were reduced to £20,000 (£51,000).

The group traded on the USM is to terminate the distributorship with Checkpoint Systems of the US.

BOARD MEETINGS

TODAY

Interims—HMC Investments, Ocean-Wilsons, Personal Assets Trust, Rothmans International, Sims Catering Butchers, Sonic, Stoddard.

Finals—Bertrams Investment Trust, British Empire Securities and General Trust, Cambrian and General Securities, Tyzack Turner.

FUTURE DATES

Interims—
Anglo American Corporation ... Nov. 27
Baker Perkins ... Dec. 4
Business Mortgages Trust ... Nov. 28
C. H. Industrials ... Dec. 2
Coalite ... Dec. 3
Creighton Laboratories ... Dec. 1
Evans of Leeds ... Dec. 2
Govett Atlantic Investm't Trust ... Nov. 28
Invest (Jack L.) ... Dec. 8
Merling Industries ... Dec. 1
Tex ... Dec. 10
United Leasing ... Dec. 2

Finals—
Avon Rubber ... Dec. 11
North British Steel ... Nov. 27
Radio City (Sound of Merseyside) ... Nov. 28
Rolinco ... Nov. 26

Thomas Locker hit by sharp downturn in UK

A SHARP downturn by its UK activities left profits of Thomas Locker (Holdings) at £568,000 pre-tax for the six months to September 30, 1986, a fall of 39 per cent from last time's £934,000.

The directors said yesterday that while significant management changes had been made at Associated Perforators & Weavers, the general downturn in business experienced in the UK had prevented the subsidiary from returning to profitability. The loss incurred, however, was considerably less this time.

Overall in the group, economies had been made which would show through in the second half.

Turnover for the opening half year was static at £14.42m (£14.4m)—the company is a screening and filtration engineer and wire weaver. Tax took £260,000 (£407,000) and minorities £9,000 (£60,000) to leave available profits at £299,000 (£467,000).

Earnings per 5p share amounted to 0.75p (1.17p). The interim dividend is held at 0.375p.

DDT falls to £353,000

DDT Group experienced a 7 per cent drop in turnover to £3.31m and a fall in pre-tax profits from £377,000 to £353,000 in the six months ended September 30 1986.

Sales showed an improvement in the second quarter and the directors said they were confident that the increased level of business would continue.

The group will continue to consolidate its existing market position while at the same time exploit new product opportunities as they arise.

It is actively pursuing acquisitions in order to enhance its position as one of the leading third party computer maintenance companies in the British Isles.

Half-year tax took £126,000 (£146,000) and earnings worked through at 3.5p (4p) per 5p share.

London & Scottish banks' balances
as at October 31 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	26.640		+ 142	
UK private sector	103.140		+ 447	
UK public sector	3.180		+ 154	
Overseas residents	14.739		+ 278	
Certificates of deposit	9.062		+1.183	
		156.761		+2.205
of which: Sight		66.100		− 174
Time (inc. CDs)		90.661		+2.379
Foreign currency deposits:				
UK monetary sector	19.277		−1.678	
Other UK residents	7.962		+ 376	
Overseas residents	46.813		− 326	
Certificates of deposit	5.560		+ 91	
		79.618		−1.538
Total deposits		236.373		+ 667
Notes in circulation		940		+ 8
Other liabilities*		41.967		−3.102
TOTAL LIABILITIES		279.281		−2.427
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	491		+ 19	
Other balances	2.259		− 219	
		2.750		− 199
Market loans:				
Discount houses	4.620		+ 811	
Other UK monetary sector	27.687		− 923	
UK monetary sector CDs	4.881		+ 379	
Local authorities	1.521		− 137	
Other	5.485		+ 880	
		44.193		+1.119
Bills:				
Treasury bills	84		− 142	
Other bills	2.886		− 457	
		2.970		− 599
Investments:				
British Government stocks	6.257		+ 97	
Other	5.133		+ 160	
		11.390		+ 257
Advances:				
UK private sector	100.762		+ 61	
UK public sector	298		− 109	
Overseas residents	5.994		− 78	
		107.054		− 126
Other sterling assets*		16.633		−1.855
Foreign currencies				
Market loans:				
UK monetary sector	18.780		−1.052	
Certificates of deposit	565		+ 16	
Other	38.174		− 572	
		57.519		−1.608
Bills		776		+ 31
Advances:				
UK private sector	7.155		+ 232	
UK public sector	922		+ 24	
Overseas residents	18.598		+ 277	
		26.676		+ 533
Other foreign currency assets*		8.319		+ 29
TOTAL ASSETS		279.281		−2.427
Acceptances		5.523		+ 612
Eligible liabilities		115.232		− 722

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westmnstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	156,761	6,153	34,753	24,271	25,953	43,057	8,644	3,423	10,505
Change on month	+2,205	+230	+32	−412	−63	+1,594	+170	−55	+708
Foreign currency deposits	79,613	1,248	16,055	11,307	15,215	22,702	3,852	9,140	94
Change on month	−1,538	+91	+717	−1,104	−766	−689	+166	+19	+30
Total deposits	236,373	7,402	50,808	35,578	41,170	65,758	12,496	12,563	10,598
Change on month	+667	+321	+749	−1,516	−829	+905	+336	−36	+738
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,750	344	369	355	582	489	485	12	143
Change on month	−199	+26	−167	−58	+40	−30	−8	−5	+5
Market loans—UK monetary sector	32,307	733	7,071	4,258	4,523	11,981	803	935	2,003
Change on month	−112	−291	+117	−432	+17	+538	−394	−4	+237
Other	11,887	167	2,463	1,523	1,529	3,656	265	306	1,978
Change on month	+1,222	+42	+243	+178	+31	+554	+33	−49	+182
Bills	2,970	138	812	721	153	512	280	65	289
Change on month	−599	−13	−153	−220	−405	+11	+40	−21	+162
British Government stocks	6,257	283	1,048	599	1,062	1,004	230	214	1,812
Change on month	+97	+24	−97	−47	+69	+162	−2	+3	−15
Advances	107,054	5,172	24,728	16,962	18,321	26,679	7,288	2,621	5,283
Change on month	−126	−55	−330	+13	−82	+124	+40	+35	+130
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	56,295	590	11,721	9,531	9,008	18,231	2,850	6,316	48
Change on month	−1,578	+89	+232	−1,217	−190	−646	+178	−52	+29
Advances	26,676	905	4,325	3,357	6,422	6,464	1,307	3,842	55
Change on month	+533	+16	+381	+25	−127	+125	+14	+98	+1
ACCEPTANCES OUTSTANDING	5,523	221	1,385	451	1,324	1,226	454	330	141
Change on month	+612	+27	+402	+26	+58	+66	+55	−45	+22
ELIGIBLE LIABILITIES OUTSTANDING	115,232	5,257	25,696	18,160	20,218	28,340	7,423	2,448	7,689
Change on month	−722	−8	−318	−482	−461	+439	+97	−3	+14

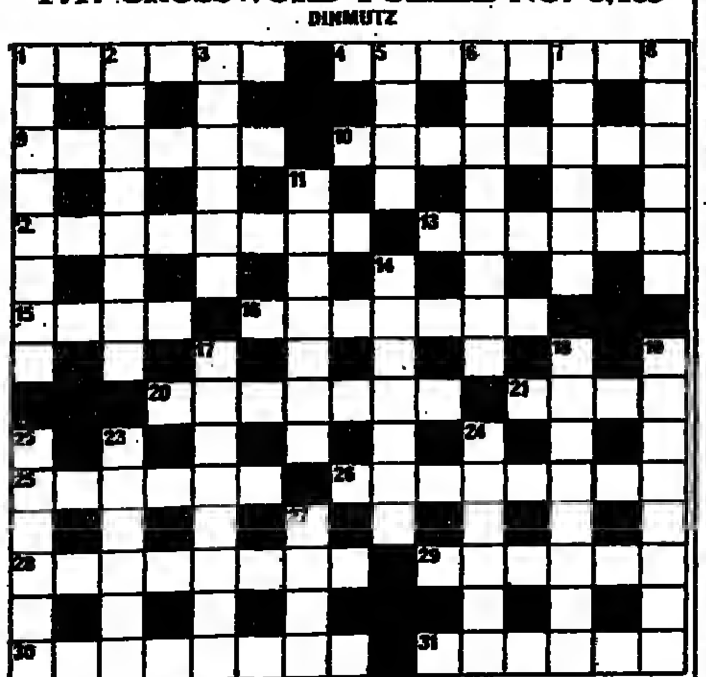
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE NO. 6,183

DINMUTZ



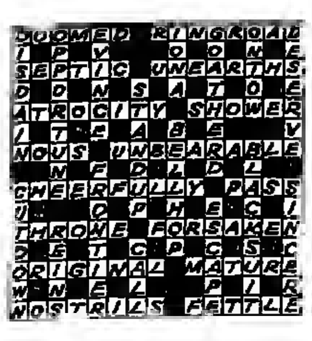
ACROSS

1 Swan that makes an impression soundly (6)
4 The buck stop here (8)
9 Lecturer or student? (6)
10 Mendelssohn's fourth, the Italian, has triangle sound getting bigger (8)
12 Invitation to call given to Gatsby, the fop (8)
13 Overdrawn, promissory notes are hateful (6)
15 Shy model (4)
16 Back-to-front rhyming perhaps (7)
20 Cinema whose occupants jump in caprice? (4-3)
21 Third man's fruit (4)
25 Underdeveloped in Peru, possibly (6)
26 Novelist who could be catching in the deep (8)
28 Sophisticated society-girl broadcasting (8)
29 Craft of two big banks? (6)
30 Crudely paint Dee at low water (4-4)
31 Staple crop (6)

DOWN

1 Vehicle at speed is a hard-top (8)
2 Spot Olga playing an upright? (4-4)
3 How 15 are sent off? (6)
5 So dry! Air-conditioning defective, to start with (4)
6 Flourish recipe containing roughage (8)
7 Cutter and feller? (6)
8 System of exercises for soldiers in endless army-hike (6)
11 Deny profit, for example (7)
14 Shortage here in France, in expert grip (7)
17 Granny is one left in Skipton, carelessly (4-4)
18 Embrocation could be mine wrapped in surgical dressing (8)
19 Colour of elopers' boat? Writer holds consent (3-5)
22 Bass can be a worry (6)
23 All its perfumes no handy cleanser for Lady Macbeth? (6)
24 Colourless sort freed on bail (6)
27 Loving day with family? (4)

Solution to Puzzle No. 6,182



AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	92.7	97.6	-0.7	—
American Acc	97.1	102.8	-1.2	—
Deposit Acc	99.2	104.4		—
European Acc	107.4	113.1	+0.8	—
Far Eastern Acc	101.5	113.1	+0.5	—
Fixed Interest Acc	80.9	85.2	-0.9	—
International Acc	104.9	110.4	-0.4	—
Property Acc	113.9	119.9	-0.8	—
UK Equity Acc	91.4	96.2	-1.0	—
Alpha Range—Pensions				
Managed Acc	94.8	99.7	-0.7	—
Premier Range				
Managed Acc—Life	101.4	106.8	-1.2	—
Managed Acc—Pensions	102.2	107.6	-1.5	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	245.17	258.07	-3.01	—
Managed Income	117.86	124.06	-1.50	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	346.8	[illegible]	[illegible]	—
Managed Accum.	294.1	[illegible]	[illegible]	—
Equity Accum	427.4	[illegible]	[illegible]	—
Property Accum	206.5	[illegible]	[illegible]	—
International Accum	264.6	[illegible]	[illegible]	—
Gilt-edged Accum	190.5	[illegible]	[illegible]	—
Money Accum	175.7	[illegible]	[illegible]	—
American Accum	175.9	[illegible]	[illegible]	—
Australia Accum	154.6	[illegible]	[illegible]	—
Financial Accum	200.2	[illegible]	[illegible]	—
"500" Accum	215.6	[illegible]	[illegible]	—
European Growth Accum	142.8	[illegible]	[illegible]	—
Income Accum	239.1	[illegible]	[illegible]	—
Japan & Gen Accum	299.4	[illegible]	[illegible]	—
Leisure Accum	146.9	[illegible]	[illegible]	—
Spec Sits Fd Accum	119.9	[illegible]	[illegible]	—
Universal Tec Accum	107.1	[illegible]	[illegible]	—
Managed Pns Accum	391.8	[illegible]	[illegible]	—
Equity Pns Accum	142.9	[illegible]	[illegible]	—
Intnl Pns Accum	148.2	[illegible]	[illegible]	—
Gilt-edged Pns Accum	271.9	[illegible]	[illegible]	—
Money Pns Accum	255.2	[illegible]	[illegible]	—
Property Pns Accum	107.2	112.[illegible]	[illegible]	—

For prices of initial Units phone 01-534 5544

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

Black Horse Man. Fd	360.87		—	—
Income Fd	331.78	349.25	—	—
Extra Income Fd	314.07	330.60	—	—
Worldwide Growth Fd	320.79	337.68	—	—
Balanced Fd	293.14	308.57	—	—
Smlr Co's & Rcvy Fd	361.90	380.95	—	—
Int. Technology Fd	315.31	331.91	—	—
Nth. Amer. & Gen. Fd	204.45	215.22	—	—
Energy Int. Fd	116.21	122.33	—	—
Pacific Basin Fund	231.51	243.70	—	—
German Growth Fd	139.80	147.16	—	—
Japan Growth Fund	135.31	142.44	—	—
Equity UK Groth Fd	102.32	107.71	—	—
Property Fd	181.70	191.27	—	—
Fixed Interest Fd	171.90	180.95	—	—
Cash Fd	166.49	175.26	—	—
Managed Inc. Fd	247.89	260.94	—	—

British National Life Assurance Co Ltd
Perrymount Road, Haywards Heath 0444 414111

Managed Fd	205.2	216.0	—	—
Property Fd	170.4	179.3	—	—
Equity Fd	240.5	[illegible]	—	—
New Tech Fd	197.8	[illegible]	—	—
American Fund	105.7	[illegible]	—	—
Intl. Fd	274.1	[illegible]	—	—
Fixed Int. Fd	132.6	[illegible]	—	—
Deposit Fd	121.1	[illegible]	—	—
Managed Series 2	204.9	[illegible]	—	—
Intnl Series 2	273.8	[illegible]	—	—
Equity Series 2	240.2	[illegible]	—	—
Managed Pens. Acc	280.9	[illegible]	—	—
Managed Pens. Cap	204.4	[illegible]	—	—
Property Pens. Acc	201.7	[illegible]	—	—
Equity Pens. Acc	294.7	[illegible]	—	—
New Tech Pens. Acc	168.0	[illegible]	—	—
Intl. Pens. Acc	378.0	[illegible]	—	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Nov 17	256.5	270.5	.....	—
Fixed Int(A&B) Nov 17	163.5	172.5	.....	—
Man Growth(A&B) Nov 17	527.5	555.5	.....	—
Money Fd (A&B) Nov 12	142.0	149.5	.....	—
Cap Fd(A&B) Nov 15		400.0	.....	—
G.S. Spec Fd(A&B) Nov 15		166.0	.....	—
Far East Eqty(A&B) Nov 12	177.5	187.0	.....	—
N.Amer.Eqty(A&B) Nov 12	109.0	115.0	.....	—
IntTechnlgy(A&B) Nov 12	157.5	166.0	.....	—
Property (A&B) Nov 12	198.5	209.0	.....	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	14.6	148.3	-1.1	—
American Equity	118.8	125.3	-4.7	—
Far East Equity	156.7	165.3	-1.1	—
Managed Fund Acc	361.0	380.0	-8.0	—
International Equity	182.8	192.8	+0.6	—
Gilt Edged	175.9	185.5	-3.2	—
Money Fund	144.2	152.1	.....	—
CCL Henderson	157.0	165.6	-0.4	—
CCL Perpetual	195.2	205.9	-1.6	—
CCL Property	224.6	236.9	-3.0	—
Smaller Cos.	248.7	262.3	-2.0	—
Perpetual Eurogrowth	113.7	119.9	-1.1	—
CCL Henfson Prime Res.	97.4	102.7	+0.2	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	171.7	180.7	.....	—
Criterion Mngd Fund	165.1	173.8	.....	—
Pension Mngd Cap	51.6	54.3	.....	—
Pension Mngd Acc	60.3	63.5	.....	—
Pension G'nteed Dep Ac	34.5	36.4	.....	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	99.5	104.7	+0.3	—
Equity Acc	368.6	387.9	+1.4	—
European Acc	186.5	196.3	.....	—
Fixed Interest Acc	204.4	215.1	-2.4	—
High Income Acc	349.7	368.1	+1.5	—
Intnl. Acc	334.7	352.3	+0.8	—
Inv. Trust Acc	403.3	424.5	+1.0	—
Japanese Acc	152.7	160.7	+0.3	—
Managed Acc	304.6	320.6	-0.2	—
Money Acc	179.1	188.5	.....	—
Property Acc	181.3	190.8	.....	—
Individual Pension Funds(z)				
American	114.6	120.6	.....	—
Equity	388.1	408.2	.....	—
European	266.7	280.7	.....	—
Fixed Interest	201.7	212.3	.....	—
International	157.5	165.7	.....	—
Investment Trust	139.8	147.1	.....	—
Japanese	221.4	233.0	.....	—
Managed	275.7	290.2	.....	—
Money	173.4	182.5	.....	—
Property	107.8	113.4	.....	—
Group Pension Funds(z)				
American	111.5	121.5	.....	—
Equity	400.2	414.7	.....	—
European	272.9	282.7	.....	—
Fixed Interest	221.0	229.0	.....	—
International	161.0	166.8	.....	—
Investment Trust	143.0	148.1	.....	—
Japanese	226.4	234.6	.....	—
Mixed	377.0	391.5	.....	—
Money	224.4	232.5	.....	—
Property	110.3	114.2	.....	—
Other Funds(z)				
Brewin Equity	487.5	513.1	.....	—
Crown Brit. Inv. A	469.2	555.2	.....	—
DBS Managed	177.3	186.6	.....	—
Growth Acc	206.8	217.6	.....	—
Heritage	211.0	228.6	.....	—
Langbite Mngd (Life)	106.9	112.5	.....	—
Langbite Managed Pens.	116.0	122.1	.....	—
PE Common	249.8	262.9	.....	—
Sage	165.6	174.3	.....	—

Crusader Insurance Plc

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

Hambro Generali UK Gth	107.7	113.4	.....	—
Hambro Generali Ppty	114.4	120.5	.....	—
Hambros Canadian	115.6	121.7	.....	—
Hambros Equity Inc	119.0	125.3	.....	—
Hambros European	121.5	127.9	.....	—
Hambros High Income	118.4	124.7	.....	—
Hambros Jap & Far East	147.1	154.9	.....	—
Hambros Nth American	111.2	111.1	.....	—
Hambros Res & Assets	115.8	121.9	.....	—
Hambros Scandinavian	133.8	140.9	.....	—
Hambros Smaller Cos	127.1	133.8	.....	—
Generali Intnl Managed	309.5	325.8	.....	—
Generali Int Mgd Pens	134.6	141.7	.....	—
Generali Cash	101.2	106.6	.....	—

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts 0992 31971

Life Funds				
Portfolio Fd Acc	401.3	[illegible]	-1.9	—
Portfolio Inv. A	401.2	[illegible]	-2.1	—
UK Equity	199.1	209.[illegible]	-1.3	—
Overseas Equity	143.3	[illegible]	-0.1	—
Smaller Companies	114.8	[illegible]	-0.4	—
Far Eastern	123.0	[illegible]	+0.2	—
European	120.0	[illegible]	+0.9	—
North American	104.3	[illegible]	-0.4	—
Gilt Plus	109.3	[illegible]	-0.8	—
Fixed Int. Dep	112.4	[illegible]	.....	—
Building Soc	110.7	[illegible]	.....	—
Property	126.3	[illegible]	-0.3	—
Index-Linked Gilt	95.6	100.[illegible]	.....	—
Managed	160.6	169.[illegible]	-0.8	—
Int. Managed	144.0	[illegible]	-0.4	—
Gartmore	106.1	[illegible]	[illegible]	—
Framlington	106.7	[illegible]	[illegible]	—
Perpetual	101.0	[illegible]	[illegible]	—
Fidelity	104.0	[illegible]	[illegible]	—
Calmsen Motion	99.2	[illegible]	[illegible]	—
Midland	112.3	[illegible]	[illegible]	—
N. M. Rothschild	96.3	[illegible]	[illegible]	—

The LAS Group
10 George St, Edinburgh 031-225 8494

Crescent Life Assurance				
Managed Fund	212.3	225.5	+0.2	—
UK Equity	248.0	263.1	+1.3	—
Property	186.9	198.3	+0.1	—
Money Market	141.1	149.6	.....	—
Fixed Int.	156.1	165.7	-0.8	—
Japan	278.1	295.1	+2.1	—
North America	140.1	148.7	-0.8	—
International	194.5	206.3	+0.2	—
Natural Res	66.6	70.7	-0.5	—
European	175.4	185.1	+0.6	—
Far East	111.4	117.6	+0.3	—
High Technology	92.8	98.0	-1.3	—
Special Situations	104.2	110.0	-1.0	—
Pension Funds				
Managed	135.3	143.4	+0.3	—
International	131.6	138.8	.....	—
Property	120.7	127.5	.....	—
Money Market	120.6	127.3	+0.7	—
Fixed Interest	117.7	124.0	-0.7	—
UK Equity	143.0	150.7	+0.5	—
North America	100.7	106.2	-0.6	—
Japan	148.1	156.1	+1.2	—
European	175.2	184.8	+0.7	—
Broker Life Funds				
Atticus	128.8	135.8	-0.5	—
Dowry Investment	98.1	103.9	-0.9	—
EP Ward Disc	142.1	149.8	.....	—
Munro Asset Mngd	114.6	121.0	-0.4	—
Murray Noble Top 20	100.2	106.1	-0.1	—
Sovereign	94.9	100.1	+1.4	—
Stewart Short Scorpio	96.2	101.5	+0.3	—

Legal & General (Unit Assur) Ltd
2 Montefiore Road, Hove, BN3 1SE 0273 724588

Bulldg. Soc. Linked	102.9	[illegible]	.....	—
Do. Accum.	109.4	115.[illegible]	.....	—
Cash Initial	129.4	[illegible]	.....	—
Do. Accum.	173.2	[illegible]	.....	—
Equity Initial	390.3	410.[illegible]	.....	—
Do. Accum.	572.5	[illegible]	.....	—

Merchant Investors—Cont.

Intnl. Currency	167[illegible]
Do. Pens.	215[illegible]
Index Linked	110[illegible]
S & C Managed Fd	126[illegible]
Trustlink Life Funds	
Per Worldwide Rec.	139[illegible]
Per Far East Growth	152[illegible]
Per Intl Growth	137[illegible]
Per Income	132[illegible]
Per Emerging Co's	136[illegible]
Per American Growth	134[illegible]
Per European Growth	131[illegible]
Fra American & Gen	124[illegible]
Fra Capital	125[illegible]
Fra Income	133[illegible]
Fra Intl Growth	126[illegible]
Fra Japan & Gen	150[illegible]
Fra Recovery	145[illegible]
Fra Convertible & Gilt	118[illegible]
Fra European	127[illegible]
GAR American	120[illegible]
GAR European	156[illegible]
GAR Far Eastern	169[illegible]
GAR British	135[illegible]
GAR Global	149[illegible]
GAR Special Situations	138[illegible]
GAR Smaller Co's	140[illegible]
GAR Australian	128[illegible]
HEN Managed	150[illegible]
HEN UK Growth	134[illegible]
HEN UK Income	134[illegible]
HEN American	118[illegible]
HEN Far East	157[illegible]
HEN European	170[illegible]
HEN Prime Res Prop	99[illegible]
TSB American	127[illegible]
TSB General	143[illegible]
TSB Managed	[illegible]
TSB Pacific	[illegible]
TSB Selected Opps	136[illegible]
FIO American	100[illegible]
FIO Japan	[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Swiss bank in London bullion move

BY STEFAN WAGSTYL

UNION BANK of Switzerland, one of the three Swiss banks which form the Zurich Gold Pool, is to start making markets in bullion in London next year.

The move is an important sign of the way that London has retained its central role in gold trading, despite the growth of 24-hour markets linking New York, Tokyo, Hong Kong, Sydney, Zurich and other centres around the world.

Mr Robert Guy, chairman of the London Gold Market, said: "I think I am right in saying no other major centre in gold has grown more than London in recent years."

Since the abolition of exchange controls in 1979, the five bullion houses which make up the London Gold Market—N. M. Rothschild, Samuel Montagu, Mocatta and Goldsmid, Sharps, Pixley and Mase Westpac (formerly Johnson Matthey Bankers)—have been joined by about six other companies in actively making markets in gold bullion in London.

They include Morgan Guaranty, Drexel Burnham Lambert and J. Aron (a subsidiary of Goldman Sachs) of the US, and the Swiss bank Credit Suisse, which like UBS is a member of the Zurich Gold Pool. Swiss Banking Corporation, the third member of the pool and an active gold trader, has so far not announced any plans to join the London market makers. But gold traders believe it may not be far behind.

Mr Guy said that there was scope for other companies trading gold to expand their activities and start making markets in bullion in London.

However, there are no signs that the newcomers will be admitted to full membership of the London Gold Market and to the charmed circle of the five houses which are allowed to attend the morning and afternoon "fixes" — the pricing sessions held twice-daily around a table at N. M. Rothschild. They are counted instead among the LGM's 53 associate members.

UBS is in the midst of a steady expansion of its precious metals trading activities. In recent years it has opened trading offices in New York and Hong Kong and is planning one in Australia. In Switzerland, it has built a new refinery.

Swiss bankers do not see the UBS move in London as a sign that Zurich is losing ground to the London market. It is difficult to measure their relative importance since the market markers do not discuss turnover. However, it seems significant that London has attracted more newcomers than Zurich in recent years — even though these companies are at least partly influenced by the fact that London is also a key centre for other international financial markets.

In another development in the globalisation of the gold market, New York's Commodity Exchange and the Sydney Futures Exchange yesterday launched their linked gold futures contract. Sydney traders reported a busier day than expected with 1,356 contracts. Mr Alan Brody, Comex president, said it was an encouraging beginning.

There have been suggestions that the London Commodity Exchange might join Comex and the Sydney Exchange to create a three-way link, but no decisions have yet been taken.

● Gold and platinum prices yesterday recovered some of the ground they lost in New York late on Wednesday but nevertheless ended well down on their previous closing levels in London. Gold fell $4 an ounce to close at $389.25 and platinum was down $13 an ounce to $478.

Traders said short-term investors, who had bought precious metals in the belief that unrest in South Africa might lead to a disruption of supplies of gold and in particular platinum, had sold their holdings. However, some brokers said prices seemed to have steadied after their recent decline.

EEC grain levy under fire

BY TIM DICKSON IN BRUSSELS

AN EEC tax on grain production is coming under increasing fire from European farmers, traders and cereals processors.

A large number of submissions have arrived in Brussels over the last few weeks pleading for changes to the 3 per cent tax—or so called co-responsibility levy—introduced as part of this year's farm price package in April.

Hailed by Farm Ministers as a major contribution to cutting Community grain surpluses, critics do not object to the levy as such but claim that the way it is applied is unjust, distorts competition, and violates the principle of equal treatment between member states.

The purpose of the tax—which is set at Ecu 5.38 per tonne for 1986-87—was to make producers more aware of market realities and force them to help pay for the financing and marketing of surpluses. Instead of collecting the charge at the point where the farmer makes his sale, the Council of Ministers decided this should be done at the processing stage (i.e. by maltsters, compound feed manufacturers, and millers).

This system allows processors to pass the cost back down the chain to the farmer—through gross and net invoicing—but according to the National Association of British and Irish Millers "the cost of the levy has been largely met by our members and other processors this year because grain has been marketed at a higher level than the EEC's intervention price."

Coceral, the Brussels-based cereals trade lobbying organisation, highlighted two main areas of discrimination in a recent letter to Mr Frans Andriessen, the Farm Commissioner. First, the way in which farmers who process their own grain and use it on their own farms are exempted from the levy and thus enjoy a competitive advantage.

Second, the impact on currency differences, which place an unequal burden on producers in different member states. Coceral points out that the tax represented at the beginning of last month around 3.3 per cent in France and almost 4 per cent in the UK.

Both Coceral and a working party of Copa, the European farmers lobby, feel that the Commission ought to go back to its original proposal and raise the levy at the "first marketing" stage.

In this context it would still have to be decided whether to try to control sales between farmers). Other ideas are to use the VAT system, which experts say would certainly work in some member states, or to levy the charge directly on farmers as so much per hectare.

Many observers feel that by limiting the current exemptions, the yield from the co-responsibility levy could be increased and planned increases in the rate of the tax headed off. (It is widely rumoured that the Commission intends to raise this from 3 to 6 ped cent in next year's proposals).

The Commission is aware of the widespread hostility to the current regime but is not committing itself to any changes at present. Mr Francois Guillaume is widely blamed for the current compromise but other member states were also opposed to the Commission's original scheme. The levy is due to last five years and as things stand Mr Andriessen has not been asked to report until after year two.

Strong yen sparks off Mississippi clam rush

By David Owen in Chicago

The strength of the yen and a squeeze on supplies in the upper Mississippi River sent US fresh water clam shell prices soaring in the season just ended, and the resulting heavy harvesting is worrying conservationists.

Prices as high as $600 per tonne have been reported compared with $2.50 for the more inexpensive varieties a year ago.

Clam shells are crucial to the largely Japan-based cultured pearl industry. Beads manufactured from the shells are inserted into salt-water oysters, which duly coat them with nacre until a pearl is formed.

"If a pearl maker wants to end up with a 7-millimetre pearl," says Mr John Latendresse, the Tennessee-based chief executive of a diversified group of pearl-farming and handling companies, "he *plants a bead 6½ to 6¾ millimetres thick*."

Japanese oysters have apparently developed a particular affinity for shells from the upper Mississippi region and the average string of pearls is likely to contain at least 95 per cent seeded with US fresh water clam shells, Mr Latendresse says.

US exports of clam shells are estimated this season at around 5,000 tonnes, a slight increase from last year. The vast majority are destined for the Japanese cultural pearl industry.

Mr Latendresse attributes the recent price hike to the strength of the yen. "The dollar price has risen but the yen price has remained the same," he says.

However, conservation groups and state government officials additionally point to some supply side tightness due to over-clamming. "We observed a big run-off of clammers up here this year," says Mr Floyd Hannagir of the Minnesota Department of Natural Resources. "We are concerned that it was an intense harvest."

Also contributing to the upward price trend has been the rapid growth of demand from US pearl producers. Mr Latendresse says that output at one of his companies, American Pearl Farms, has climbed 1,900 per cent in the four years since it started full commercial cultured pearl output.

After the recent bull run, however, the immediate outlook for clam shells is uncertain.

Potentially bullish factors are the probability of still higher demand to the domestic cultured pearl industry and the tightening of regulations governing the harvesting of clams in several mid-Western states. Conservationists are particularly worried about the effect on the food chain of possible over-harvesting and are also anxious to protect several of the rarer clam species, such as the Higgins' Eye and the Fat Pocketbook.

But many expect lower Japanese demand to offset such factors and push prices down. Japanese offtake may be "as little as 50 per cent" of this season's total, projects Mr Latendresse, who maintains that Japanese pearl producers have taken advantage of the strong yen to build up their clam shell inventory. "At the moment, they have about 18 months of stocks in hand," he estimates.

Woolmen seek Merino safeguard

The Wool Council of Australia has voted to support a proposed ban on the export of Australian merino sheep genetic material, reports Reuter from Adelaide.

The Council passed a resolution by the Livestock and Grain Producers' Association of New South Wales calling for the ban, which is aimed at preventing Australia's competitive advantage in wool being shipped to other countries.

Contestants line up to battle for UK edible oils market

BY ANDREW GOWERS

BRITAIN'S £750m-a-year edible oils industry is bracing itself for what promises to be a bitter price war in the next few months as large amounts of new crushing and refining capacity come on stream in a market where consumption is stagnant at best.

The industry has been suffering from depressed profit margins for some time. And it has gone through a dramatic restructuring in the last few years which has concentrated production even more than before in the hands of a few big players. They include Unilever, the Anglo-Dutch food conglomerate, Cargill and Bunge, the two huge international grain traders, and Acatos & Hutcheson, a British specialist company which has grown rapidly by acquisition and rationalisation during the 1980s.

Now, everyone in the industry agrees that a more fundamental change is looming as a surplus of production capacity ever demand reaches critical levels. Prices of bulk oils are now lower than they were in 1970, and are still falling.

"The margins are under intense pressure at the moment, and that must be related to new capacity coming on stream," says Mr Ken Eldred, chairman of the Seed Crushers and Oil Processors Association and managing director of Loders & Nucoline, Unilever's UK bulk oils and fats subsidiary.

"The real war hasn't started yet," says Mr Ad Blankestijn, who is in charge of Cargill's UK oilseed operations. "I expect much more price-cutting in a couple of months."

Already this year, one small bulk fat refiner has been forced to close—Marfleet of Hull, which was taken over by Hanson Trust, the industrial conglomerate, earlier this year. And it is not expected to be the last.

The bulk edible oils business may appear to be at the least glamourous end of the food industry, but its position is pivotal: there are very few processed foods which do not contain edible oils of some kind.

The industry's recent troubles stem from a variety of causes. On the crushing side, companies which process European-grown rapeseed and sunflowerseed complain of a squeeze on the subsidies which the EEC pays to bridge the gap between world and Community oilseed prices. This has been brought on by the threadbare state of the EEC farm budget and the historically low level of world edible oil prices. In addition, UK crushers have been suffering this season from the need to pay higher prices to secure supplies of rapeseed against aggressive bidding from buyers in the Netherlands, West Germany and Belgium.

Much more important on the refining side, however, has been the fierce competition for market share between UK refiners and importers of oil.

It is a story which goes back to the UK's labour troubles in 1979. Before that year, the British edible oils market had been relatively well-insulated from external pressures, with a fair degree of balance between domestic supply and demand and minimal import penetration.

UK EDIBLE OIL REFINERY CAPACITY ('000 tonnes per year)	1984	1987
Unilever	450	450
Acatos & Hutcheson	300	400
Bibby	110	220
Cargill*	100	240
Procter & Gamble	75	100
Anglia	70	140
Others	120	50
Total	1,225	1,600

*Formerly Croda and Continental

Source: Henderson Crosthwaite

The transport difficulties of Britain's infamous winter of discontent changed all that. Food manufacturers were forced to turn to the Continent for stable and assured supplies; they also found them to be substantially cheaper.

Afterwards, the market never looked quite the same "Imports became part of the purchasing strategy of the major buyers," says Mr Eldred. At their peak, 9 year ago, they took about 18 per cent of the total bulk oil market.

"The buyers are much more sophisticated than they were 10 years ago," agrees Mr Robert Stokell, managing director of Bibby Edible Oils.

Yet the market as a whole is not expanding. Food manufacturers in the UK are under pressure to reduce the fat content of their products, and the vegetable fats sector in general is exposed to heavily subsidised competition from butter as the EEC struggles to offload its dairy mountain. Only bottled edible oils are showing significant sales growth.

This combination of factors has put intense pressure on the high-cost edible oil producers within the UK; especially since the industry in general had been starved of investment for years. Their current efforts to boost output and cut unit production costs amount to an attempt to fight back against the imports.

Among developments currently approaching completion are:

● Bibby Edible Oils, the crushing and refining company which Bunge bought from J. Bibby, the UK animal feed group, nearly three years ago, is investing £35m to replace the company's old factory on Merseyside with a low-cost integrated plant just down the road. In the process, the company's capacity is to double to 220,000 tonnes a year.

● Anglia Refining, a subsidiary of Denmark's Aarhus group, has set up a new refinery on Humberside and recently announced plans to spend £2.2m on doubling capacity to 140,000 tonnes.

● Procter & Gamble has doubled refining capacity at its Trafford Park plant, which specialises in high-quality boxed fats.

● Acatos & Hutcheson, which was recently floated on the stock market, has made a string of big acquisitions within the industry in recent years and has been steadily rationalising and investing in these edisparate operations. City analysts liken Acatos's story to that of Hillsdown Holdings, the aggressive food-to-furniture group, within the British meat industry. From being the UK's sixth largest edible oil refiner in 1980, Acatos is now second only to Unilever.

● Cargill, which bought oilseed operations in Hull and Liverpool respectively from Croda, the UK dyes group, and from Continental, another international grain trader, in 1985, is putting money into gearing up the Liverpool plant to full capacity of 400 tonnes a day and the Hull factory to 300 tonnes a day. It is also this week bringing on stream a new refinery in Antwerp, also with capacity of 400 tonnes a day, which is designed above all to compete in south-east England.

"We're going to be aggressive," says the pugnacious Mr Blankestijn. "I've got no customers for that business in Continental Europe, so I'll have to find them in the UK."

In the short term, all this implies a large and growing surplus of production capacity. "The outlook appears to be for a new period of instability with well over 300,000 tonnes of new capacity chasing a relatively mature 1.2m tonne market," says Mr David Lang, a *food analyst with stockbrokers* Henderson Crosthwaite.

In the long term, of course, things cannot continue like that. "Sooner or later, something has to give to bring supply and demand back towards a balance," says Unilever's Mr Eldred. "I don't think per capita consumption of oils and fats is going to increase."

The UK producers hope that as a first step, they can squeeze the imports out. But in the process, some of them are bound to get hurt.

LONDON MARKETS

THE RECENT pressure on zinc prices continued yesterday, partly reflecting news that o US producer had cut its list price for the metal. The cash price on the London Metal Exchange ended £6 down at £548.50 o tonne—a three-month low. Hudson Bay Mining's decision to reduce its selling price by 3 cents to 44 cents a lb prompted speculation that European producers might soon cut their prices, dealers said. There was persistent selling from one European trade house pressuring the market throughout the day, they added. Yesterday's fall took the decline on the week so far to £33.50 a tonne. By way of contrast the LME copper market continued its recent rise with cash Grade A metal gaining another £12.50 to £928.50 a tonne. The rise was attributed to the strength of US copper futures, fairly aggressive arbitrage buying against the New York market, and more constructive charts.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 793-4 (795-6), three months 806-6.5 (806-6.5), settlement 794 (796). Final Kerb close: 806.5-807. Turnover: 17,925 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	793-4	+3.5	—
3 months	806.5-7	+8.5	808/806

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	928-9	+12.75	920.5/920.5
3 months	953-3.5	+14	954.5/945.5

Official closing (am): Cash 920.5-1 (911-11.5), three months 945-6 (934.5-5), settlement 921 (911.5). Final Kerb close: 953.5-4.

Standard			
Cash	904-8	+9	898/892
3 months	932-4	+19	—

Official closing (am): Cash 898-8.5 (890-1), three months 925.5-6 (915-7), settlement 898.5 (891). US Producer prices 61-64.5 cents a pound. Total Turnover: 44,625 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	330-1	-8.5	339/332
3 months	323.5-4	-5.5	329/323

Official closing (am): Cash 332-2.5 (339.5-40), three months 324-4.5 (330-9.25). settlement 332.5 (340). Final Kerb close: 324-5. Turnover: 0,575 tonnes. US Spot: 24-29 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2568-72	+4.5	—
3 months	2610-3	+9	2615/2605

Official closing (am): Cash 2,565-70 (2,572-5), three months 2,605-7 (2,602-3), settlement 2,570 (2,575). Final Kerb close: 2,605-2,610. Turnover: 1,236 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: 15.99 (same) ringgit per kg. Unchanged.

ZINC

Official closing (am): Cash 552.5-3 (556-6.5), three months 549.5-50 (552-2.5), settlement 553 (556.5). Final Kerb close: 547-7.5. Turnover: 30,675 tonnes. US Prime Western: 44-50.75 cents a pound.

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	548-9	-6	552.5/552.5
3 months	547-8	-2.25	557/543

Official closing (am): Cash 556-6.5

GOLD

Gold fell $4 an ounce from Wednesday's close in the London bullion market yesterday to finish at $389-389½. The metal opened at $386½-387 and traded between a high of $389¾-390¼ and a low of $386½-387. The weaker start reflected a further decline in other precious metals, notably platinum and although gold recovered later in the day, trading remained nervous.

GOLD BULLION (fine ounce) Nov. 20		
Close	$389-389½	(£275¼-275)
Opening	$386½-387	(£273¼-274¼)
M'n'g fix	$387.00	(£273-692)
Aft'n'n fix	$389.55	(£275.783)

GOLD AND PLATINUM COINS		
Am Eagle	$404-409	(£286¼-289¾)
Mapleleaf	$391½-404	(£281¼-286¼)
Kr'g'r'nd	$384-387	(£272¼-274¼)
½ Krug	$196-199	(£140¼-141)
¼ Krug	$99½-100½	(£70½-71¼)
Angel	$396-399	(£280¾-282¾)
1/10 Angel	$40-43	(£28¼-30½)
New Sov	$92-94	(£65¼-66¾)
Old Sov	$92-95½	(£65¼-66¼)
$20 Eagle	$475-595	(£335¾-379)
Noble Plat	$486-486	(£344¼-351½)

SILVER

Silver was fixed 6p an ounce lower for spot delivery in the London bullion market yesterday at 386.50. US cent equivalents of the fixing levels were: Spot 545.85c, down 9.4c; three-month 553.7c, down 8.6c; six-month 561-95c, down 8.3c; and 12-month 578.7c, down 8.8c. The metal opened and closed at 383¾-485¾p (542-544c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	386.85p	-6.00	384p	-6
3 months	397.25p	-5.15	394.55	-5.55
6 months	408.40p	-4.90	—	
12 months	430.20p	-4.80	—	

LME—Turnover: 7 (1) lots of 10,000 ounces.

Cash high/low 383p; three months high 395p, low 394p, final Kerb 394-5.

SOYABEAN MEAL

Keen commercial buying was met by speculative liquidation and local selling, reports Muirpace.

	Y'sterd'ys close £ per tonne	+ or —	Business done
Dec.	151.0-152.0	-0.25	151.5-151.8
Feb.	153.0-154.5	+0.50	—
April	153.2-154.0	+0.40	—
June	150.0-150.5	+0.50	—
August	128.5-150.0	+0.75	—
October	150.5-152.0	+1.50	—
Dec.	151.0-154.0	+0.25	—

Sales: 14 (243) lots of 20 tonnes.

RUBBER

PHYSICALS — The London market opened slightly easier, attracted little interest throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 63.00 (same); Dec 61.00p (same); Jan 61.25p (same). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 213 (215) and SMR 20 194.5 (195.5).

FUTURES—Index 651, Dec 628-631, Jan-March 638-641, April-June 648-651, July-Sept 650-664. Sales: Nil.

INDICES

REUTERS

Nov. 19	Nov. 18	M'th ago	Year ago
1615.6	1610.7	1674.8	1727.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 19	Nov. 18	M'th ago	Year ago
Spot	118.91	118.95	—	120.43
Fut	117.83	119.25	—	120.94

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 20 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1185/205	-5	$1265/265
Copper			
Cash Grade A	£928.5	+12.75	£933
3 mths	£953.25	+14	£967.75
Gold Troy oz	$389.25	-4	$424.75
Lead Cash	£330.5	-8.50	£318.5
3 mths	£323.75	-5.9	£310.75
Nickel			
Free Mkt	164/184c	-1	165/185c
Palladium oz	$117.90	-1.1	$134.00
Platinum oz	$478.00	-15	$581.50
Quicksilver†	$166/176		$160/170
Silver troy oz	386.85p	-6	406.30p
3 mths	397.25p	-5.15	417.35p
Tin			
free mkt	£4430/480	+50	£4080/128
Tungsten	$45.57	-1.41	$51.25
Wolfram 22.01b	$39/42		$34/44
Zinc	£548.5	-6	£615
3 mths	£547.5	-2.75	£619.75
producers	$920		$920
OILS			
Coconut (Phil)	$400z		$400
Palm Malayan	$315u		$310
Copra (Phil)	$250y		$225
Soyabean (U.S.)	$156y	+5	$166
GRAINS			
Barley Fut. Jan.	£111.45	+0.10	£111.85
Maize	£148.50v	+5	£144.50
Wheat Fut. Jan.	£110.15	-0.25	£110.70
No. 9 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1501.5c	+4	£1544.5
Coffee Ft. Jan.	£2012.5		£2267.5
Cotton A Ind.*	52.70c	-0.01	51.80c
Gas Oil Jan.	$132	-2.5	$125.25
Rubber (kilo)	63p		67p
Sugar (raw)	$147.5z	-3	$142.5
Wooltops 64s	424p kilo	+1	412p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. v Dec. x Jan-Feb. z Dec-Jan. u Jan.

COFFEE

With most trade houses preferring to remain sidelined, awaiting fresh news from Brazil, the market traded quietly in a £35 range, basis January. Speculative activity was limited with the majority of traders prepared to sit with existing positions, reports Drexel Burnham Lambert.

COFFEE	Yesterday close	+ or —	Business Done
Nov	2044-50	+14.5	2075-2041
Jan	2010-15	—	2038-2006
Mar	1940-45	-10.0	1970-1945
May	1955-60	—	1985-1950
July	1980-90	+7.5	2000-1985
Sept	1990-10	+2.5	1990
Nov	1990-20	+5.0	—

Sales: 2,952 (4,384) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for November 19: Comp. daily 1979 139.59 (138.80); 15-day average 153.26 (154.37).

COCOA

Although £12 steadier at the highs of the day, futures failed to hold the gains and closing levels were unchanged from the previous evening. Physicals were quiet with producers still withdrawn and only light consumer offtake at the lows, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1471-1472	+4.0	1480-1466
March	1501-1502	+4.0	1510-1496
May	1524-1525	+3.0	1558-1520
July	1546-1547	-1.0	1551-1543
Sept	1567-1568	-1.5	1574-1566
Dec	1597-1598	-1.0	1602-1597
March	1624-1626	-2.0	1632-1623

Sales: 2,923 (4,104) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 20: 91.58 (92.01); five-day average for November 21: 93.07 (93.22).

POTATOES

Prices fell on the opening and traded throughout the day in a very restricted range, with buying support based at £150.00 for April stopping a further decline. A PMB and of October stock figure of 4.35m tonnes was announced before the opening—this being towards the higher end of market expectations. Closing tone was barely steady, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	111.50	115.00	112.00
Apr	150.60	153.50	151.60-150.50
May	170.00	172.50	171.00-169.00
Nov	85.00	85.19	—
Feb	98.00	100.00	—

Sales: 947 (853) lots of 40 tonnes.

GRAINS

Old crop wheat found early trades on a slightly easier note in line with similar country market trades before recovering on merchant buying. Afternoon trade saw modest country and commission house selling to ease the market again to the day's lows. Old crop barley noted one broker cross of 80 lots which represented the bulk of volume. Short-covering interest on the November position, which expired yesterday, supported the market. New crop markets were fairly active, with wheat/barley switching a major feature in the November positions. One broker with consumer and shipper connections was a noted buyer of November wheat, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yest'rdy's close	+ or —
Nov	106.00	-0.20	109.10	+0.50
Jan	110.15	-0.25	111.45	+0.10
Mar	113.05	-0.25	113.65	+0.15
May	115.25	-0.25	114.65	+0.05
July	116.75	-0.25	—	
Sep	101.45	+0.05	101.10	-0.20
Nov	103.65	+0.05	103.66	-0.10

Business done—Wheat: Nov 105.20-6.00, Jan 110.40-10.15, March 113.35-3.05, May 115.40-5.35, July 117.00-6.90, Sept 101.30, Nov 103.65-3.60. Sales: 296 lots of 100 tonnes. Barley: Nov 108.85-8.60, Jan 111.40-1.25, March 113.60, May untraded, Sept 101.10-1.00, Nov 103.65. Sales: 139 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: Dec 108.00, Jan 109.25, Feb 110.25. French 11½-12 per cent: Dec 145.50. English feed, fob: Nov 110.00 gold East Coast, Nov 110.50, Dec 112.25 sellers, Jan/March 115.25-115.50 buyer/sellers, Feb 115.25, March 115.25, April/June 116.00, July 114.00 buyer, Jan/June 117.00 sellers East Coast. Maize: US No 3 Yellow/French transhipment East Coast: Dec 148.00. Barley: English feed, fob customs cleared: 115.50-116.50 buyer/sellers, Nov 112.00-112.75 buyer/sellers Scottish, Dec 114.00 seller Scottish, Jan/March 116.50 buyer Scottish. 110.00-116.00 buyer/sellers English/Scottish.

HGCA Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: S West 119.20, W. Mids. 119.90, N. West 108.00. The UK monetary coefficient for the week beginning Monday, November 24 will change to 1.259.

US MARKETS

PRECIOUS METALS trading was quiet with activity dominated by traders rolling out of December positions in gold and silver, reports Heinold. Gold and platinum futures posted moderate gains but their strength was not sufficient to pull up silver. A more substantial rise in gold and platinum will be necessary to elevate silver prices and before any real price advances can be made in all three precious metals some solid buying interests at current pice levels will have to be established. Coffee futures closed lower following a sell-off by trade houses and some speculators on relatively light volume. The initial bout of selling by the trade triggered light commission house sell stops below 150 cents in December, but local buying was sufficient to contain the decline between 146c and 147c. There are still no reports of the outcome of a joint meeting between the Brazilian Coffee Institute and the Brazilian Minister of Industry and Commerce in Rio de Janeiro regarding a possible increase in Brazilian coffee exports.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Nov	48.45	—	—	48.55
Dec	48.70	48.80	48.30	48.80
Jan	49.00	—	—	49.00
March	49.70	49.65	49.30	49.70
May	50.20	50.20	49.80	50.20
July	50.55	—	—	50.55
Sept	50.75	—	—	50.75
Dec	50.85	—	—	50.85
Jan	51.05	—	—	51.05
March	51.15	—	—	51.15

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1847	1878	1846	1881
March	1897	1924	1894	1910
May	1936	1957	1935	1950
July	1952	1978	1957	1968
Sept	1985	1980	1980	1989
Dec	2005	2025	2000	2020
March	2026	—	—	2040

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	146.51	151.00	146.00	148.50
March	149.62	153.90	149.00	152.14
May	151.00	154.50	149.26	153.26
July	152.43	156.00	151.00	154.39
Sept	153.00	155.50	153.00	154.83
Dec	154.26	155.00	155.00	155.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Nov	59.50	—	—	59.00
Dec	59.80	59.65	59.10	59.10
Jan	59.80	—	—	59.30
March	60.40	60.40	59.90	59.85
May	60.95	60.95	60.50	60.40
July	61.30	61.30	60.90	60.75
Sept	61.60	61.50	61.05	61.05
Dec	62.10	62.15	61.60	61.60
Jan	62.25	—	—	61.75
March	62.60	—	—	62.10

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	46.80	49.20	46.80	47.75
March	47.11	49.10	47.00	48.07
May	47.55	48.90	47.50	48.23
July	48.02	49.80	48.26	48.40
Oct	49.36	49.56	49.49	49.41
Dec	49.76	50.20	49.50	49.92
March	50.50	—	—	50.50
May	51.00	—	—	50.67

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Dec	15.02	15.43	14.98	15.48
Jan	15.32	15.58	15.27	15.62
Feb	15.38	15.60	15.37	15.60
March	15.36	15.54	15.34	15.51
April	15.32	15.50	15.32	15.46
May	15.32	15.48	15.30	15.41
June	15.30	15.37	15.27	15.37
July	15.35	15.40	15.28	15.33
August	15.40	—	—	15.29

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	391.3	—	—	387.9
Dec	391.7	392.5	387.5	388.5
Jan	393.5	390.3	390.3	390.3
Feb	395.3	396.4	391.3	392.1
April	398.4	398.7	394.5	395.2
June	401.5	402.5	399.0	398.4
August	405.0	404.8	403.0	401.6
Oct	408.5	407.5	407.2	405.2
Dec	412.0	412.5	409.0	408.9
Feb	418.0	415.0	414.5	412.9
June	424.3	423.7	421.5	421.2

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	43.25	44.25	43.20	44.40
Jan	44.30	45.30	44.20	45.44
Feb	45.10	46.05	45.00	46.15
March	43.70	44.60	43.70	44.70
April	42.00	42.80	42.00	42.85
May	40.50	41.50	40.50	41.50
June	40.25	—	—	40.95
July	—	—	—	40.25
August	40.10	—	—	41.60

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	112.05	122.80	121.60	123.15
March	122.05	122.50	121.55	123.00
May	122.10	122.50	122.50	123.10
July	122.05	121.50	121.50	122.75
Sept	122.75	—	—	122.50
Jan	122.75	—	—	122.45

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	478.5	—	—	468.4
Dec	480.0	478.0	476.0	471.8
Jan	481.5	483.0	469.0	471.9
April	484.5	485.5	472.0	474.9
July	488.2	488.0	480.0	478.6
Jan	496.7	—	—	487.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	542.7	—	—	546.0
Dec	543.5	548.0	540.0	547.0
Jan	546.4	549.0	548.0	549.8
March	551.6	556.0	548.0	554.9
May	556.9	562.0	553.0	560.2
July	562.4	565.5	560.0	565.6
Sept	568.1	571.0	567.0	571.7
Dec	578.9	582.0	573.0	580.7
Jan	580.1	576.0	576.0	583.9
March	586.2	592.0	588.5	590.2

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.33	6.14	6.00	6.10
March	6.79	6.79	6.52	6.56
May	5.89	6.90	6.64	6.64
July	7.00	7.02	6.74	6.76
Sept	7.08	—	—	5.23
Oct	7.17	7.18	6.96	6.94
Jan	7.30	—	—	7.18

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	61.72	61.95	61.55	61.42
Feb	59.17	59.27	58.82	58.67
April	59.05	59.25	58.90	58.85
June	57.82	58.05	57.75	57.82
August	56.60	56.65	56.50	56.55

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	54.62	54.80	54.45	54.70
Feb	51.40	51.75	51.20	51.40
April	45.67	45.85	45.05	45.17
June	47.82	47.75	47.10	47.20
July	47.37	47.40	46.70	46.90
August	45.05	45.30	44.65	44.72
Oct	41.95	41.96	41.65	41.76
Dec	42.25	42.35	42.25	42.20

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	73.10	73.40	71.45	71.45
March	71.90	72.07	70.05	70.10
May	71.27	71.55	69.57	69.55
July	69.85	69.95	68.00	67.95
August	67.12	67.40	65.75	65.62

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	188.0	170.4	169.4	168.6
March	178.4	180.2	178.2	178.8
May	184.2	185.4	184.0	184.6
July	186.2	188.4	186.0	187.2
Sept	189.0	189.2	188.0	188.0
Dec	192.8	192.0	191.8	191.4
March	199.4	199.4	199.0	199.2

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Nov	496.0	497.4	495.4	495.0
Jan	500.2	503.0	499.4	502.0
March	503.0	506.4	502.4	504.2
May	506.2	507.4	505.4	506.8
July	508.2	509.4	508.0	508.4
August	505.6	507.4	505.4	506.4
Sept	486.0	498.0	496.0	495.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	150.4	150.6	148.5	149.2
Jan	149.5	149.7	148.3	149.0
March	149.4	149.5	148.2	148.9
May	149.1	149.4	148.7	149.2
July	149.0	149.4	148.9	149.2
August	149.3	149.3	148.6	148.4
Sept	149.2	149.2	149.2	148.4
Oct	148.2	148.5	148.0	148.3
Dec	148.8	148.6	148.0	148.7

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	14.93	15.13	14.91	14.92
Jan	15.10	15.32	15.10	15.16
March	15.39	15.60	15.36	15.37
May	15.62	15.82	15.60	15.62
July	15.80	16.02	15.80	15.81
August	15.85	16.00	15.85	15.85
Sept	15.70	15.85	15.70	15.71
Oct	15.67	15.80	15.65	75.65
Dec	15.95	16.00	15.95	16.00
Jan	15.90	15.85	15.95	16.05

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	282.6	286.4	282.2	285.6
March	271.6	274.0	271.4	272.4
May	258.0	259.4	257.6	258.4
July	246.2	248.9	246.0	247.0
Sept	247.2	—	—	247.0
Dec	253.0	256.0	253.0	255.0

SPOT PRICES—Chicago loose lard 18.50 (same) cents per pound. Handy and Harman silver bullion 543.5 (554.5) cents per troy ounce.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 92.31p per kg lw (—1.34). GB—Sheep 160.39p per kg est dcw (—0.16). GB—Pigs 76.94p per kg lw (—2.33).

FUTURES—Live cattle: Nov 95.50. Sales: 5. Pigs: Nov 100.00, Feb 96.30. Sales: 32. Pigmeat: April 102.00. Sales: 2.

SUGAR

LONDON DAILY PRICE—Raw sugar $147.50 (£104.50), down $3.00 (down £1.60) a tonne for December-January delivery. White sugar $178.80, down $1.50.

No. 5 Contract	Yest'rdy 7.10 pm	Previous close	Business done
	$ per tonne		
Dec	140.8-141.0	154.0-158.0	155.4-154.8
Mar	152.8-155.0	146.4-146.8	155.8-154.8
May	155.2-155.8	149.4-149.8	151.8-156.4
Aug	155.2-158.4	162.4-155.4	158.4-155.8
Oct	160.8-161.8	155.4-158.8	160.9-158.4
Dec	162.6-164.0	159.0-161.0	160.6-159.8
Mar	172.8-173.2	166.2-169.4	170.8-168.8

Sales: 2,483 (1,694) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £207.50 (£209.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 19: Daily price 5.81 (5.86); 15-day average 5.86 (same).

FREIGHT FUTURES

The market showed little change on the day. Trading was very very quiet with no fresh physical news, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	724/728	724/723	722/725
April	757/760	760/756	756/750
July	662/666	665	668/669
Oct.	756/762	—	755/757
Jan.	745/770	765	765/770
Apr.	850/890	—	868/884
July	700/740	—	730/744
Oct.	840/890	—	840/890
BFI.	770.5		774.5

Turnover: 61 (270).

	Close	High/Low	Prev.
Tankers			
Nov.	940/955	—	980
Dec.	1000/1060	1020	1055/1150
Jan.	1010/1066	—	1042/1050
Mar.	1000/1060	—	1120
BTI.	956	—	928.5

Turnover: 16 (nil).

OIL

Crude oil prices weakened in continued thin trading. December WTI opened at 11c down on Nymex and traded 43c down at 1.30 pm EST. In the petroleum products market all periods of gas oil fell but prompt oil was firmer than forward periods. Naphtha and gasoline remained quiet on lack of buying interests. Fuel oil was stable—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	15.90-14.00	-0.35
Brent Blend	14.95-15.05	-0.575
W.T.I. (1pm est)	15.15-15.30	-0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	146-150	—
Gas Oil	125-127	-1
Heavy fuel oil	76-78	—
Naphtha	126-130	—

GAS OIL FUTURES

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Dec	127.95	-3.50	128.75-27.25
Jan	132.00	-2.50	134.00-32.00
Feb	134.00	-2.50	155.00-33.75
Mar	129.50	-1.75	151.00-29.50
Apr	125.50	-3.00	128.00-25.50
May	124.00	-3.50	125.00-24.00

Turnover: 2,360 (4,992) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Dec	77.50	-0.50	—
Jan	78.50	—	78.50
Feb	80.00	-1.00	

Turnover: 2 (260) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or —	Business Done
Dec	150.00	-1.00	—
Jan	154.00		154.00
Feb	—		

Turnover: 5 (6) lots of 100 tonnes.

FOREIGN EXCHANGES

Sterling loses ground

STERLING CONTINUED to lose ground in currency markets yesterday. Opening levels were sharply weaker, following a sell off in the Far East which dealers suggested was prompted by recent comments made by Mrs Margaret Thatcher that sterling was not going to join the exchange rate mechanism of the EMS at least until after the next general election.

Sentiment may also have been influenced by a recent opinion poll which showed the Labour Party ahead of the Conservative Party. Trading was rather thin and nervous and this tended to exaggerate currency movements.

Sterling's exchange rate index opened at 67.6 down from 68.0 on Wednesday and fell to 67.5 mid morning before recovering to 67.7 by 11 am. However it soon slipped back in the afternoon to 67.5 before closing at 67.6. October's banking figures appeared to have little effect, party because of a lack of comparative data due to a change in the accounting period.

The pound closed at $1.4110 down from $1.4180 and DM 2.8325 compared with DM 2.8475. It was also lower against the yen at Y229.50 from Y230.25. Elsewhre it slipped to SFr 2.3550 from SFr 2.3675 and FFr 9.2775 from FFr 9.3225.

The dollar was confined to a very narrow range just above the important DM 2.0 level. The release of personal income which showed a 0.4 per cent rise in line with expectations while a 2.0 per cent fall in consumer spending was a little more than expected. This added to the dollar's overall bearish tone, coming in the wake of poor housing start figures and an uninspiring third quarter US GNP revision.

However there was a marked reluctance to push the dollar through the DM 2.0 level without a further indication on the sluggish US growth rate since speculators seemed convinced that central banks would intervene to defened this level.

The dollar closed at DM 2.0080 against DM 2.0075 on Wednesday and Y162.75 compared with Y162.40. It was barely changed against the Swiss franc at SFr 1.67 from SFr 1.6705 and unchanged against the French franc at FFr 6.5750. On Bank of England figures, the dollar's exchange rate index finished at 111.0 from 110.9.

D-MARK—Trading range against the dollar 1986 is 2.4710 to 1.9740. October average 2.0038. Exchange rate index 142.0 against 134.8 six months ago.

Trading became lacklustre and featureless in Frankfurt yesterday. The dollar was fixed at DM 2.0075 against DM 2.0198 on Tuesday. West German centres were closed on Wednesday for a pnblic holiday. US economic data released which included personal income and spending appeared to have little effect while Wednesday's upward revisinn to third quarter GNP failed to create much enthusiasm. However there appeared to be a marked reluctance to push the dollar below the DM 2.0 level for fear nf inviting intervention by central banks. The dollar closed at DM 2.0060, unchanged from its opening level.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. October average 156.36. Exchange rate index 205.3 against 204.5 six months ago.

Trading was quiet in Tokyo yesterday with the yen confined to a narrow range. Dollar sentiment remained bearish but there was insufficient momentum to overcome fears of pushing the dollar down and provoking central bank intervention. Consequently the dollar closed at Y162.65 compared with Y162.35 in New York and Y162.80 in Tokyo nn Wednesday. Elsewhere the D-Mark rose to Y81.01 from Y80.81.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2413	+0.30	+1.07	± 1.5368
Danish Krone	7.81701	7.85994	+0.55	+1.32	± 1.6403
German D-Mark	2.11083	2.08025	−1.45	−0.68	± 1.1127
French Franc	6.87316	6.80970	−0.92	−0.15	± 1.3659
Dutch Guilder	2.37833	2.34994	−1.19	−0.42	± 1.5059
Irish Punt	0.764976	0.764105	−0.11	+0.66	± 1.6683
Italian Lira	1476.95	1440.77	−2.45	−1.97	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 20	Latest	Previous Close
£ Spot	1.4105-1.4115	1.4190-1.4195
1 month	0.56-0.53 pm	0.58-0.56 pm
3 months	1.79-1.74 pm	1.83-1.80 pm
12 months	6.35-6.25 pm	6.57-6.47 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4085-1.4145	1.4105-1.4115	0.57-0.55c pm	4.76	1.85-1.80c pm	5.17
Canada	1.9515-1.9566	1.9535-1.9545	0.44-0.36c pm	2.46	1.44-1.29 pm	2.79
Netherlands	3.19½-3.20½	3.19½-3.20½	1½-1¼c pm	3.16	4⅝-4½ pm	5.63
Belgium	58.82-58.95	58.85-58.95	20-15c pm	3.57	59-50 pm	3.70
Denmark	10.67¾-10.72½	10.69¾-10.70¾	¼-¼ore pm	0.49	2⅛-1⅜ pm	0.65
Ireland	1.0375-1.0405	1.0400-1.0410	0.32-0.44p dis	−4.38	0.65-1.00 dis	−3.17
W. Germany	2.82¼-2.83¾	2.82¾-2.83¾	1⅞-1⅝pf pm	7.15	4⅝-4½ pm	6.53
Portugal	209.61-210.82	209.75-210.60	91-146c dis	−6.76	204-593 dis	−7.58

FINANCIAL FUTURES

Further record in gilt trading

TRADING VOLUME in the long gilt sector broke through the 30,000 level for the first time yesterday in the *London International Financial Futures Exchange*. A total of 31,480 lots were traded, worth £1.57bn. This represented s 20 per cent rise over the previous record set on Wednesday. Heavy liquidation of positions to early trading reflected concern over a further decline in the value of sterling and the growing prospect of higher interest rates.

Speculators were also unsettled by continued election fever and an opinion poll released yesterday which showed that the Labour Party had moved back ahead of the Conservative Party. The selling was expected to continue after the start of trading in Chicago but sterling's steadier performance in the afternoon and a stronger US bond market prompted a scramble to cover short positions with dealers unwilling to go short overnight.

After opening at 105-18 the December long gilt contract touched a low of 105-06 before coming back to a high of 106-20 and closing at 106-18 compared with 106-14 on Wednesday. Reaction to the latest money supply figures was muted with traders more concerned with the *performance of sterling*.

Short sterling acted in much the same way, but was still down from Wednesday's close as the prospect of higher interest rates depressed the market.

Euro-dollar prices showed a modest increase following comments by a US official hinting at the possibility of another cut in the US discount rate. US bond prices were also firmer but slipped from the day's highs on profit taking.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
104	2.36	3.59	0.00	1.11
106	0.46	2.45	0.10	1.61
108	0.02	1.49	1.30	3.01
110	0.00	1.05	3.28	4.21
112	0.00	0.40	5.28	5.56
114	0.00	0.21	7.28	7.37
116	0.00	0.11	9.28	9.27
118	0.00	0.05	11.28	11.21
120	0.00	0.02	13.28	13.18

Estimated volume total, Calls 1,020 Puts 2,213

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last June	Puts—Last March	Puts—Last June
88	10.51	—	0.07	—
90	8.60	8.38	0.16	0.52
92	7.11	7.05	0.31	1.17
94	5.36	5.43	0.56	2.57
96	4.10	4.29	1.30	2.43
98	2.63	3.26	2.19	3.40
100	2.03	2.36	3.23	4.50
102	1.22	1.56	4.42	6.06

Estimated volume total, Calls 19 Puts 7

Previous day's open int. Calls 247 Puts 262

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
15500	—	6.03	—	1.23
15750	2.30	4.36	0.00	2.06
16000	0.30	3.00	0.50	3.20
16250	0.00	1.96	2.70	4.66
16500	0.00	1.22	5.28	6.41
16750	0.00	0.70	7.70	8.40
17000	0.00	0.39	10.20	10.59
17250	0.00	0.20	12.70	12.90

Estimated volume total, Calls 119, Puts 102

OTHER CURRENCIES

	£	$
Finland	6.9630-6.9735	4.9370-4.9390
Greece	193.86-197.34	137.49-139.80
Hong Kong	10.9960-11.0065	7.7930-7.7950
Iran	109.30*	76.90*
Kuwait	0.4145-0.4150	0.29380-0.29400
Luxembourg	58.85-58.95	41.70-41.80
Malaysia	3.6750-3.6805	2.6040-2.6060
N. Zealand	2.7175-2.7250	1.9250-1.9285
Saudi Ar.	5.2925-5.2970	3.7510-3.7515
Singapore	3.0850-3.0900	2.1865-2.1885
S. Af. (Cm)	3.1475-3.1710	2.2370-2.2420
S. Af. (Fn)	6.1310-6.4090	4.3480-4.5455
U.A.E.	5.1820-5.1870	3.6725-3.6735

* Selling rate.

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.
$	0.709	1	2.008	162.8	6.575
DM	0.353	0.498	1	81.02	3.275
YEN	4.357	6.148	12.34	1000	40.42
F Fr.	1.078	1.521	3.053	247.4	10
S Fr.	0.425	0.599	1.203	97.45	3.939
H Fl.	0.313	0.441	0.885	71.72	2.899
Lira	0.510	0.720	1.445	117.1	4.733
C $	0.512	0.722	1.450	117.5	4.748
B Fr.	1.698	2.396	4.809	389.6	13.75

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

Sterling's fall causes concern

INTEREST RATES continued to rise in London yesterday as the market viewed sterling's decline with increasing concern. Three-month interbank money rose to 11⅜-11¼ per cent from 11⅛-11⅛ per cent on Wednesday. However it was probably a little early to speculate about the possibility of higher bank base rates although this has been singled out as the authorities' only effective measure in halting the pound's decline.

Overnight money opened at 9¾-9⅝ per cent and eased to 9½-9 per cent some time in the early afternoon. However a *downward* revision in the day's shortage saw rates *fall away* to a low of 4 per cent before coming back in late trading to 9 per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast e shortage of around £150m with factors affecting the market including maturing assistance and a take-up *of* Treasury bills together draining £465m and a rise in the note circulation of £25m. These were partly offset by Exchequer transactions which added £345m and banks' balances brought forward £25m above target.

The shortage was revised to £400m and the bank gave *assist*ance in the morning of £296m which comprised *outright* purchases of £19m of eligible bank bills in band 3 at 10¾ per cent and in band 4 £23m of Treasury bills and £254m of eligible bank bills all at 10⅜ per cent.

The forecast was revised *once* again to a shortage of around £300m, before taking into account the earlier help and the Bank gave no further *assistance in the after*noon.

In Frankfurt there were no changes in interest rates or credit policies after yesterday's regular meeting of the central council. This was in line with expectations. Call money was quoted at 4.35-4.45 per cent from 4.40-4.50 per cent on Tuesday. Markets were closed on Wednesday for a public holiday. The slightly easier tone reflected the receipt by commercial banks nf DM 3.5bn through the Bundesbank's latest sale and *repurchase* facility. Tax payments due later this month should not cause much nf a problem since banks are holding considerably more funds than required to meet end of month minimum reserve holdings with *the Bundesbank*.

In Amsterdam the Dutch central bank accepted bids worth Fl 2.1bn for a special advance facility running from yesterday to November 28. The move, designed to increase money market liquidity, *carries* an interest rate of 5.6 per cent and replaces a maturing facility nf Fl 1.6bn.

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	100⅛	Exch. 13¼pc 1987	100¼	.....	[illegible]	11.00
[illegible]	97⅛	Treas 10¼pcCv '87	99⅞	.....	[illegible]	11.26
[illegible]	92⅞	Exch 2½pc 1987	98	–⅛	[illegible]	8.54
[illegible]	97½	Exch. 10½pc 1987	99⅞	.....	[illegible]	11.26
[illegible]	93¾	Funding 6½pc 85-87	98	–⅛	[illegible]	10.23
102	96⅞	Treas. 10pc 1987	99⅞xd	–⅛	[illegible]	11.22
97	90¾	Treas 3pc 1987	96	–⅛	[illegible]	8.56
[illegible]	99⅝	Treas. 12pc 1987	100¼	–⅛	[illegible]	11.26
[illegible]	92⅞	Treas 7¾pc 1985-88‡‡	96⅞	.....	[illegible]	10.61
104	96¼	Exch 10½pc '88	98⅞	–⅛	[illegible]	11.57
[illegible]	95¾	Treas 9¾pc Cv '88	97¼xd	–⅛	9.97	11.40
[illegible]	86⅝	Transport 3pc '78-88	92¾	+⅛	[illegible]	8.50
[illegible]	93⅞	Treas. 9½pc '88	96⅞	–⅛	[illegible]	11.44
107	96⅛	Treas 11½pc 1989	99⅞	–⅛	[illegible]	11.47
[illegible]	93¾	Treas 9½pc Cnv 1989	95¾	–¼	[illegible]	11.50
[illegible]	82⅛	Treas 3pc 1989	87⅞	.....	[illegible]	8.56
[illegible]	95⅛	Treas 10½pc 1989	97¼xd	–⅛	[illegible]	11.51
104	94¾	Exch 10pc 1989	96⅞	–⅛	[illegible]	11.51
107	97	Exch 11pc 1989	98⅞	–⅛	[illegible]	11.45
[illegible]	84½	Treas 5pc 1986-89	90½	.....	[illegible]	9.74
[illegible]	94¾	Exch 10¼pcCv '89	98½	–¼	[illegible]	10.83
[illegible]	103⅛	Treas 13pc 1990‡‡	103⅞	–⅛	[illegible]	11.52
[illegible]	97¼	Exch 11pc 1990‡‡	98⅞	–⅛	[illegible]	11.45
[illegible]	101⅞	Exch. 12½pc 1990	102⅞	–⅛	12.1	11.49
[illegible]	79¾	Treas. 3pc 1990	83½	+⅛	[illegible]	8.62
100	89¾	Treas 8¼pc 1987-90‡‡	93⅞xd	.....	[illegible]	10.64
[illegible]	93	Treas. 10pcCv 1990	95¼	–⅛	[illegible]	11.48
[illegible]	76½	Exch 2½pc 1990	79¾xd	.....	[illegible]	8.54
[illegible]	99⅛	Treas 11¾pc 1991	100⅞	–⅛	11.6	11.50
[illegible]	83⅛	Funding 5¾pc '87-91‡‡	86⅞	.....	[illegible]	9.46
[illegible]	79⅛	Treas. 3pc 1991●	79	.....	[illegible]	8.62
[illegible]	[illegible]	Treas 10pcCv'91 (£40pd)	[illegible]	[illegible]	[illegible]	11.34

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- § Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ♠ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. N Gross. N Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. 2. Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....
Craig & Rose £1	£15¾	+¾
Finlay Pkg. 5p	47	.....
Holt (Jos) 25p	815	+5
IoM Stm. £1	75	.....
IRISH		
Fund 11¼% 1988	£96¼	−⅛
Nat. 9¾% 84/89	£91⅝	−¼
Fin. 13% 97/02	£96½	−⅛
Arnotts	265xd	.....
CPI Hldgs	39	.....
Carroll Inds.	135	.....
Dublin Gas	12	.....
Hall (R. & H.)	108	.....
Heiton Hldgs.	27½	.....
Irish Ropes	135	.....
Unidare	250	.....

" Recent Issues " and " Rights " Page 42
(International Edition Page 46)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Strong rally in Government bonds helps share prices to steady from recent setback

Account Dealing Dates

First Dealings*	Option Declarations	Last Dealings	Account Day
Nov 10	Nov 20	Nov 21	Dec 1
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5

* New time dealings may take place from 9.00 am two business days earlier.

The UK equity market stabilised itself yesterday with the help of some favourable corporate earnings reports, a successful rally by Government bonds, and a firm start on Wall Street. A return of takeover activity, featured by bids for Pilkington Brothers and Exco provided a boost to confidence.

The stock market bounced higher at the opening, following Wall Street's overnight improvement. Gains were trimmed later, and at the close, the FT-SE 100 index was a net 6.4 points up at 1610.7, with the FT Ordinary index 1.0 higher at 1259.8.

Oil stocks were distracted from the latest OPEC meeting by the announcement of results by British Petroleum. BP stock edged higher, although market opinions on the trading figures were mixed.

Also reporting earnings figures, Beecham disappointed. However, traders commented that recent buyers of Beecham have been showing optimism for the future rather than interest in the recent past.

The day started with BTR's bid for Pilkington Bros. Although the bid had been widely predicted in the marketplace, Pilkington stock surged well above the BTR offer.

Exco, the international money broker, closed strongly in response to the agreed terms offered for the equity by British & Commonwealth Shipping.

The professional traders were impressed by the market's success in rebounding from this week's lows, which represented support levels on some market charts. Wall Street's resistance to selling pressure has strengthened hopes that the worst effects of the Boesky affair may now have been discounted in the international marketplace.

Also boosting confidence was the success of the UK gilt-edged market in finding its footing again after the sharp losses of the two previous trading sessions. Long-dated bonds lost a full point early yesterday as the pound continued to weaken. But a good recovery was made later on belief that foreign investors will be attracted by the 11 per cent plus yields now offered on London gilts.

The latest UK money supply statistics were well received, and encouraged the recovery in Treasury securities.

Helped also by a sharp rebound in LIFFE gilt futures, long-dated Treasuries recouped early losses and closed with a few scattered gains of ¼. Significantly, index-linked issues lacked support.

However, the FT Government securities index ended 0.28 down at 80.48.

Standard Chartered up

Standard Chartered highlighted an otherwise quiet banking sector, rising 12 to 800p following revived speculative buying reported to have emlnated from the Far-east; overseas concerns already holding sizable stakes in Standard include Sir Yue-Kong Pao and Astors Nominees which hold a near-25 per cent interest and Robert Holmes a Court's Bell Group with 10 per cent. Elsewhere, Midland eased 4 further at 553p in the wake of a seminar held on Wednesday with brokers James Capel. Lloyds, however, ended 3 dearer at 426p. Among merchant banks, Morgan Grenfell, unsettled of late by suggestions that the merchant bank could be interested in acquiring Exco, remained on offer at 404p, down 4, despite news of British and Commonwealth's agreed offer for Exco.

Lloyds Broker C. E. Heath continued to reflect fears that the hostile bid for PWS International would not succeed and fell further to 458p before closing the session 12 lower on balance at 462p; PWS firmed 4 at 293p. Yesterday, Hambros, which will hold a 16 per cent stake in the enlarged C. E. Heath group if the proposed merger with Fielding Insurance is implemented, placed 1.2m shares in C.E.H. at 470p per share. Elsewhere, Composites fell sharply with Commercial Union down 7 at 257p and Royals the same amount lower at 810p.

Plum, the contract furnishing concern, made a successful debut in the Unlisted Securities market, opening at 101p before easing slightly to finish at 99p; the shares were placed at 90p. Elsewhere among recently-issued equities, London and Metropolitan, which established a healthy premium following its debut on Wednesday, firmed 5 more at 170p.

Geo. Wimpey improve

Leading Building issues gave a steadier performance. Recently dull George Wimpey staged a moderate rally and closed 7 better at 185½p, while Barratt Developments improved 4 to 183p. Blue Circle, in which Adelaide Steamship recently revealed a stake, picked up late to close 7 dearer at 634p. Elsewhere, Raine Industries added 2 to 71½p following the optimistic AGM statement. While Tay Homes attracted support at 243p, up 9, Helical Bar hardened a few pence to 483p. Timbers made a brighter showing, Magnet and Southerns rising 8 to 208p.

Burton's annual results were well received and the shares moved up 8 to 264p. Sears rallied as takeover rumours resurfaced and the close was 3½ higher at 125p, while Dixons closed a similar amount better at 322p. Elsewhere in Stores, Goldsmiths gained 4 to 226p amid vague talk of a possible bid from Combined English. Renewed speculative support left Chelsea Man 12 to the good at 158p. W. H. Smith "A" improved a few pence at 265p, but Etam came on offer at 214p, down 8.

Cable and Wireless highlighted Electricals, rising 12 to 322p, after 325p, in response to the impressive interim figures. Other leaders, however, rarely strayed from their overnight levels. Plessey softened a penny at 166p as did Racal at 165p. Elsewhere, Atlantic Computer found support at 287p, up 17, while speculative improvements of 8 and 12 respectively were seen in Powerline International, 88p, and United Leasing, 160p. Despite news of the strong profits recovery, Chloride ended the session a fraction easier at 53p, while DDT reflected the reduced half-year profits with a fall of 15 at 161p. International Signal and Control gave up 7 at 245p on further consideration of the interim figures.

The Engineering leaders were inclined harder in quiet trading. Elsewhere, old takeover favourites came to life with Baker Perkins rising 6½ to 237½p, Hall Engineering 8 to 218p and Renold 3½ to 65½p. Porter Chadburn gave up 15 to 348p; it was announced yesterday that the proposed sale of shares to Mr R. Dinkin will not now take place. Trading statements left Stothert and Pitt 5 lower at 90p and Thomas Locker 3 down at 35p.

S. & W. Berisford touched 287p prior to closing a penny up at 285½p following confirmation that Ferruzzi of Italy's Agricola subsidiary had reached agreement to acquire 70 per cent of British Sugar from Berisford for £425m subject to Department of Trade clearance. Tate and Lyle, also interested in acquiring British Sugar, shed 5 to 576p as the company revealed that it had increased its stake in Berisford to 13.5 per cent via market purchases.

Hillsdown Holdings were a fraction cheaper at 202p on the announcement that the Government of Kuwait, Ministry of Finance, had acquired 29m shares at 200p per share representing 7.7 per cent of the equity. Associated British Foods attracted support amid talk of a broker's circular and rose 6 to 317p, while Ranks Hovis McDougall added a penny to 268p following comment on the good annual results and a report that Fletcher Challenge, of New Zealand had built a 4.9 per cent stake in the company. Avana slumped 31 more to 473p, a two-day fall of 52, on further consideration of the acutely disappointing interim figures, while Hazlewood Foods lost 4 to 149p following the interim results and acquisition news. In the Retailing sector, ASDA-MFI closed a couple of pence cheaper at 149p, after 146p, as some 5m shares changed hands including a single block trade of 2.7m shares. Bejam gained 8 to 170p as bid rumours revived.

Ladbroke remained on offer and shed 6 for a two-day fall of 12 to 357p, while profit-taking clipped 2 from recent favourite Trusthouse Forte at 169p. Kennedy Brookes revived strongly on takeover hopes and gained 17 to 292p in a restricted market.

Pilkington up on bid

Pilkington provided the outstanding feature of the day, advancing strongly to close 81 higher at 611p on news of the bid worth around 554p per share from BTR; the latter eased 3 to 291p. This followed several months of persistent takeover speculation and most brokers expect Pilkington to put up a strong defence against the bid, while some sources were talking of a possible counter-offer from RTZ. Elsewhere in the miscellaneous industrial leaders, Beecham, which announced interim figures at the lower end of market estimates, closed 7 cheaper at 424p, but Boots, up 2½ at 222½p, reflected satisfaction with the half-year statement. Hanson Trust became a better market, closing 5 better at 195½p in yet another active trading session; 19m shares changed hands yesterday. BET gave up 8 to 417p following the interim figures, but Extel responded to trading news with a gain of 11 at 586p. Redfearn Glass came to life at 264p, up 14; Mr Ron Brierley has a hig stake in the company. Press mention prompted n rise of 10 to 208p in Shiloh, while Times Veneer hardened 2½ to 54p following the announcement that the placing for the acquisition nf S. Royston had been completed. Williams Holdings rallied 8 to 538p and Evered were also better at 193p, up 5.

A report that some analysts had seen fit to revise higher the more bearish profit estimates for the current year encouraged support of Lucas Industries which rallied 7 to 444p. The Motor section provided few other features apart from Plaxtons. Helped by "new-time" demand and, to a smaller extent by traditional option business, Plaxtons moved up 4 and closed just short of the year's high at 91p.

Norton Opax last night claimed control of McCorquodale with acceptances to its final increased offer of 50.2 per cent. Earlier in the day, some 5.1m shares of McCorquodale were purchased from Samuel Montagu and subsequently Norton declared its offer, due to close today, unconditional but rival bidder Datafin disputed this claim. Both share prices tumbled, Norton closing 8 down at 125p, after 120p, and McCorquodale 18 lower at 298p. Among Advertising Agencies, Charles Barker emerged strongly from a recent lean spell. A flurry of "new-time" buying orders in the wake of institutional interest the previous day lifted Charles Barker 20 to 118p.

Among Properties, British Land perked up and closed 3 dearer at 187½p, but Land Securities continued to suffer from a lack of interest and softened a penny more at 327p. Warnford Investments rose 20 to 745p on further consideration of the interim results, but Marler Estates shed that much to 270p following profit-taking in the absence of any bid developments.

Courtaulds rebounded 6½ to 315½p, the main news item in the sector was John Crowther's purchase of Atkins Bros knitwear division and another acquisition for some £7.5m. The deals are to be financed largely by the issue of new Crowther shares, many of which have been placed. Crowther settled marginally higher at 160p, while Atkins improved 3 to 263p. Elsewhere, Lister and Co jumped 10 to 122p, a movement which aroused thoughts of bid possibilities.

Exco returned from a morning suspension, with the price at 230p, to close 36 np nt 267p on the agreed share exchange, or cash, terms from British and Commonwealth. The latter ended 16 down at 294p. Other Financial Trusts turned higher with Mercantile House gaining 10 to 310p and International City rising 5 to 196p.

Conroy Petroleum highlighted the oil sector, rising 60 to 436p, a three-day gain of 85, amid mounting hopes for its mineral exploration programme in Northern Ireland and talk of a five-for-one share split to be announced early in December. Atlantic Resources were another Irish issue to go better at 23p, up 2. Elsewhere, Petranol firmed 4 to 54p pending the outcome of bid discussions, while Berkeley Exploration added a penny to 65p following the agreed increased and final offer of 64p per share cash from Ranger UK.

Business among the oil majors remained at a relatively low level. British Petroleum's third-quarter profits were in line with estimates and the price edged up 5 to 688p. Shell improved 4 to 948p.

Kloof dull

South African mining markets traded in an extremely thin and uncertain manner. Sentiment was initially unsettled as the fresh weakness of precious metal prices led Cape operators to be small sellers of top-quality Golds, especially in the light of further Reserve Bank intervention in currency markets which undermined the Rand against the dollar. Investors in other major international trading centres, however, displayed little inclination to take a view either way and most quotations consequently maintained a slightly easier bias to the close.

Bullion, down to $387 at the morning fixing, firmed a shade but still finished $4 lower on balance at $389.25 an ounce. Platinum dipped below the recent support level of $480, but held relatively steady at the afternoon fixing of $478—down around $13 on the day.

Gold share prices generally hovered either side of the overnight levels, but Kloof were marked 30 lower to 514p following a fire which halted 20 per cent of the mine's operation; the company has reported evideace of arson. The FT Gold Mines inndex dipped 1.8 to 309.1.

Australians put on n stahle performance, much to the surprise of market nbservers who were expecting a correctioa after Wednesday's firm showing. Turnover, however, was described as modest. Cultus Resources were marked 7 higher to 26p in London following nvernight advices from Sydney; tha shares were lively last month following the conditional placing of 55 per cent of the equity capital with Horizon Oil, a company ultimately controlled by New Zealand merchant bankers Fay, Richwhite.

Traded Options

The resurgence of takeover activity in London equities ensured another lively session in traded nptinns. BTR, normally one of the more subdued classes, attracted 926 calls and 302 puts following its bid for Pilkington. Cable and Wireless recorded 2,232 puts despite the pleasing interim statement. Guinness were in demand ahead of the ADR facility with 1,282 calls traded. By far the most active stock, however, was Hanson Trust with 13,222 calls done, the December 180's and 200's accounting for 2,865 and 4,724 trades respectively; Hanson also contributed 3,797 puts, with the March 200 series proving popular and attracting 2,081 trades.THhe FT-SE 100 index nttracted 1,056 calls and 1,471 puts. Total contracts struck yesterday amounted to 39,427.

Traditional Options

- **First dealings** Nov 17 Dec 1 Dec 15
- **Last dealings** Nov 28 Dec 12 Jan 2
- **Last declaration** Feb 19 Mar 5 Mar 19
- **For Settlement** Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Declaration day saw calls transacted in Lister, Bristol Oil and Minerals, Audiotronic, Hughes Food, Atlantic Resources, Tricentrol, London Securities, Ferranti, William Boulton, Goodwin, Johnson and Firth Brown, Plaxtons (GB), Conroy, Polly Peck, Sound Diffusion, British Telecom, Morgan Grenfell, Ultramar, Phoenix Properties, Polymark, Bowater, Wellman, Control Securities, Greenwich Resources, St Modwen and Centrovincial. Nn puts or doubles were reported.

FINANCIAL TIMES STOCK INOICES

	Nov. 20	Nov. 19	Nov. 18	Nov. 17	Nov. 14	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	80.48	80.76	81.32	81.43	81.38	83.60	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.04	88.35	88.59	88.55	88.54	88.96	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	30.53 (3/1/75)
Ordinary ♥	1,259.8	1,258.8	1,271.6	1,278.5	1,293.2	1,121.6	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	309.1	310.9	304.0	302.4	325.1	293.6	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.50	4.50	4.46	4.41	4.399	4.31				
Earnings Yld.%(full)	10.43	10.44	10.35	10.21	10.198	10.69				
P/E Ratio (net) (*)	11.73	11.72	11.82	11.98	12.002	11.53				
SEAQ Bargains (5pm)	27,162	26,360	23,762	26,451	25,788	—				
Equity Turnover (£m)	—	1396.75	914.07	983.272	1050.52	645.03				
Equity Bargains	—	36,439	38,380	36,958	41,152	31,619				
Shares Traded (ml)	—	359.9	353.1	431.2	520.8	313.4				

S.E. ACTIVITY

Indices	Nov. 19	Nov. 18
Gilt Edged Bargains	147.0	128.9
Equity Bargains	236.1	248.7
Equity Value	2823.2	1847.6
5-Day Average		
Gilt Edged Bargains	137.5	144.6
Equity Bargains	256.8	280.8
Equity Value	2232.3	2146.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1266.4	1260.6	1257.2	1256.5	1256.2	1257.5	1257.1	1257.3

Day's High 1267.7. Day's Low 1255.9.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.26.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (51)

BREWERS (2) Fuller Smith and Turner, Merrydown. BUILDINGS (4) Crouch (D.), Erith, Tindall (Wm.), Tay Homes. CHEMICALS (2) Akzo, Schering AG. STORES (2) Chelsea Man, Debfor. ELECTRICALS (1) Scantronic. ENGINEERING (3) Chamberlin and Hill. FOODS (2) Berisford (S. and W.), Hunter Saphir. INDUSTRIALS (13) Astbury and Madeley, BTR Nylex, Bodycote International, Flogas, Great Southern, Havelock Europa, J. S. Pathology, Pilkington Do. Warr., Polymark, Redfearn National Glass, Shiloh, Williams (J.). LEISURE (4) Entertain Products, Hanimex, Leisure Investment, Ulster TV N/V A. MOTORS (1) Quick (H. and J.). PAPER (1) Geers Gross. PROPERTY (2) Assetmark, Southend Stadium. TRUSTS (10) British Investment, City and Commercial Capital, Derby Trust Capital, Govett Oriental, Mid Wynd, New Court, Rights and Issues Capital, Scottish National, Witan Investment, Exco International. OILS (2) Conroy Petroleum National Resources, International Petroleum Corporation. OVERSEAS TRADERS (1) Paterson Zochonis. PLANTATIONS (1) Moran. MINES (2) Forsayth, Windsor.

NEW LOWS (88)

BRITISH FUNDS (52). INTERNATIONAL BANK AND OVERSEAS GOVERNMENT STERLING ISSUES (14). AMERICANS (1) Continental Illinois Corporation. STORES (1) Stormgard. ELECTRICALS (2) Goring Kerr, Stone International. FOODS (3) Avana, Cullen's Holdings, Wold. INDUSTRIALS (7) British Bloodstock, Dyson (J. and J.) A, Euro Ferries, High-Point Services, Office and Electronic, Ropner, Do. A. INSURANCE (1) Alexander and Alexander. LEISURE (3) Aspinall Holdings, Media Technology, Television Services. PROPERTY (2) Slough Estate 12½pc 2009, Do. 11¼pc 2019. PAPER (1) Norton Opax. TOBACCOS (1) BAT Industries 12¼pcLn.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
Asda-MFI	5,000	149	−2	ICI	927	£10½	+0⅛
Allied Lyons	1,500	307	—	Jaguar	349	504	—
BAT	3,000	450	+1	Ladbroke	952	357	−6
BOC	885	332	—	Land Securities	1,200	327	−1
BTR	6,300	291	−3	Legal & Gen.	160	234	+1
Barclays	1,000	473	+5	Lloyds Bak	521	428	+5
Bass	465	728	−1	Lonrho	1,500	236½	+0½
Beecham	6,300	424	−7	Marks & Spncr	1,700	187	−1
Blue Circle	1,800	634	+7	Midland Bank	220	553	−4
Boots	5,300	222½	+2½	NatWest Bank	623	492	−2
Brit. Aero	2,900	480	+2	P & O	950	495	−5
Britoil	1,400	160	−1	Plessey	1,100	165	−2
BP	3,600	688	+5	Prudential	363	790	+1
Brit. Telecom	2,300	193	—	Racal	1,000	165	−1
Burton	5,100	264	+6	Reckitt & Col	491	799	−1
Cable & Wire	6,200	322	+12	Reuters	150	530	+2
Cadbury Schwps	4,900	173	—	RTZ	1,700	673	+1
Comm. Union	4,300	257	−7	Royal Insurance	840	810	−7
Cons. Gold	509	652	+5	STC	795	157	—
Courtaulds	3,200	315½	+6½	Sainsbury	171	411	+2
Dixons Grp	1,400	322	+3	Sears	9,000	125	+3½
Fisons	1,100	549	+2	Sedgwick	152	357	+1
Gen. Accident	259	803	−4	Shell Trans.	1,000	948	+4
Gen. Elect.	1,600	176	—	Sun Alliance	229	623	−4
Glaxo	529	898	−1	TSB	4,000	77½	−0½
Grand Met.	779	441	—	Tesco	358	380	−1
Gus "A"	164	990	−10	Thorn EMI	323	465	—
Guardian R.E.	614	760	−4	Trafalgar House	701	281	+3
GKN	250	249	+1	T'house Forte	4,000	169	−2
Guinness	2,200	321	−5	Unilever	145	£19⅞	+0⅛
Hanson Trust	21,000	195½	+5	United Biscuits	611	233	—
Hawker Sidd	931	413	+2				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	90	18
Corporations, Dominion and Foreign Bonds	1	30	37
Industrials	445	396	685
Financial & Properties	165	129	283
Oils	31	26	55
Plantations	3	3	8
Mines	41	52	89
Others	78	54	71
Totals	769	780	1,246

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Nov 20 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Weds Nov 19 Index No.	Tues Nov 18 Index No.	Mon Nov 17 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	668.26	+0.4	9.18	3.84	13.83	16.17	665.28	671.74	675.56	579.59
2	Building Materials (27)	829.08	+2.0	8.79	3.55	14.35	17.54	812.56	819.62	823.61	645.74
3	Contracting, Construction (29)	1133.91	+1.0	8.09	4.08	17.02	32.56	1123.05	1139.94	1147.30	951.72
4	Electricals (12)	1694.23	+0.2	8.76	4.96	14.78	53.27	1690.63	1714.18	1723.06	1561.37
5	Electronics (38)	1441.67	−0.1	9.79	2.82	13.62	29.90	1443.70	1466.84	1480.23	1377.86
6	Mechanical Engineering (60)	369.85	+0.4	10.61	4.49	12.01	10.42	368.38	372.11	372.25	333.58
8	Metals and Metal Forming (7)	335.45	+0.1	9.52	4.20	13.22	9.53	334.99	339.39	339.67	243.66
9	Motors (16)	254.54	+0.2	10.87	4.12	10.68	5.72	254.08	256.63	257.56	207.64
10	Other Industrial Materials (21)	1218.23	−0.5	7.36	4.43	16.12	30.19	1223.83	1221.37	1231.32	1055.75
21	CONSUMER GROUP (186)	915.86	—	8.29	3.41	15.15	18.47	915.45	924.35	927.79	774.12
22	Brewers and Distillers (22)	935.01	−0.3	9.38	3.45	13.10	14.91	937.79	947.57	953.98	809.38
25	Food Manufacturing (24)	711.67	+0.2	9.32	3.92	13.95	14.99	710.23	712.40	711.64	556.11
26	Food Retailing (16)	1825.93	—	6.96	2.90	19.94	30.54	1826.62	1839.98	1846.49	1764.51
27	Health and Household Products (10)	1485.09	−0.2	6.34	2.56	18.42	21.37	1488.45	1489.55	1484.66	1184.69
29	Leisure (28)	945.38	−0.6	7.78	4.32	17.05	25.08	950.67	963.82	956.53	776.22
32	Publishing & Printing (15)	2547.20	—	7.80	4.44	16.48	73.96	2546.00	2573.67	2578.53	1861.08
33	Packaging and Paper (14)	470.23	+0.7	7.40	3.54	17.50	10.54	466.90	473.79	477.57	373.27
34	Stores (38)	828.39	+0.3	7.50	3.17	18.09	16.10	825.98	841.14	850.76	818.61
35	Textiles (17)	537.31	+0.9	9.51	3.68	12.16	10.57	532.46	538.00	538.97	376.79
36	Tobaccos (2)	1253.40	+0.3	13.17	4.13	8.34	36.99	1249.93	1265.58	1278.59	821.23
41	OTHER GROUPS (87)	778.97	+0.5	8.65	4.12	14.92	17.50	774.87	780.24	787.03	738.64
42	Chemicals (20)	971.04	+0.4	9.02	4.45	13.49	29.15	966.76	972.86	971.73	732.50
44	Office Equipment (4)	241.00	+0.1	7.71	4.42	15.68	7.55	240.69	243.07	244.69	222.32
45	Shipping and Transport (12)	1504.01	−1.4	7.90	4.50	15.97	44.57	1526.35	1537.21	1550.51	1351.95
47	Telephone Networks (2)	777.89	+0.8	11.02	4.73	12.40	16.67	771.52	774.09	780.91	942.07
48	Miscellaneous (49)	1091.02	+0.8	6.29	3.15	20.04	16.87	1082.18	1095.63	1111.00	911.63
49	INDUSTRIAL GROUP (483)	824.93	+0.3	8.60	3.69	14.75	17.91	822.78	830.25	834.71	721.65
51	Oil & Gas (17)	1419.55	+0.5	11.51	6.31	10.70	62.83	1412.26	1428.99	1440.95	1209.48
59	500 SHARE INDEX (500)	874.77	+0.3	8.95	4.01	14.10	21.45	872.23	880.42	885.49	763.12
61	FINANCIAL GROUP (119)	598.58	+0.2	—	4.75	—	17.46	597.67	602.37	602.29	536.82
62	Banks (8)	653.81	+0.3	19.26	5.60	7.13	23.94	652.02	656.41	655.06	549.82
65	Insurance (Life) (9)	829.20	—	—	4.70	—	27.29	828.99	834.20	833.10	828.12
66	Insurance (Composite) (7)	442.55	−1.1	—	4.90	—	13.49	447.36	451.22	453.79	418.00
67	Insurance (Brokers) (9)	1232.60	+0.3	7.76	4.21	16.78	35.33	1229.46	1239.62	1236.60	1202.87
68	Merchant Banks (12)	352.74	−0.3	—	4.07	—	6.37	353.75	358.22	356.41	287.37
69	Property (50)	785.00	—	5.93	3.65	21.89	15.17	784.70	790.71	791.73	693.34
70	Other Financial (24)	363.16	+3.0	9.06	4.40	13.47	9.06	352.70	356.25	356.05	307.93
71	Investment Trusts (98)	828.40	+0.2	—	2.75	—	14.22	826.73	831.41	830.31	639.23
81	Mining Finance (2)	329.74	+0.4	9.53	4.86	12.34	11.30	328.48	332.57	337.41	263.46
91	Overseas Traders (13)	759.26	−0.1	10.57	5.80	11.41	29.17	759.75	770.05	775.63	587.27
99	ALL-SHARE INDEX (732)	800.45	+0.3	—	4.10	—	20.12	798.35	805.58	809.26	696.04

	Index No.	Day's Change	Day's High	Day's Low	Nov 19	Nov 18	Nov 17	Nov 14	Nov 13	Year ago
FT-SE 100 SHARE INDEX ‡	1610.7	+6.4	1615.8	1604.5	1604.3	1617.5	1628.6	1644.3	1644.6	1443.1

FIXED INTEREST

	PRICE INDICES	Thurs Nov 20	Day's change %	Weds Nov 19	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	118.35	−0.10	118.47	—	10.31
2	5-15 years	126.50	−0.55	127.20	—	11.61
3	Over 15 years	130.74	−0.46	131.34	—	11.83
4	Irredeemables	142.62	−0.19	142.89	—	13.34
5	All stocks	125.59	−0.39	126.07	—	11.33
	Index-Linked					
6	5 years	114.69	−0.10	114.80	—	2.00
7	Over 5 years	110.41	−0.04	110.45	—	2.84
8	All stocks	111.08	−0.05	111.13	—	2.69
9	Debentures & Loans	108.37	−0.80	109.24	—	10.25
10	Preference	79.11	−0.19	79.26	—	6.07

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Nov 20	Weds Nov 19	Year ago (approx.)
	British Government				
1	Low	5 years	10.06	10.03	10.42
2	Coupons	15 years	10.87	10.80	10.21
3		25 years	10.88	10.81	9.80
4	Medium	5 years	11.60	11.50	10.88
5	Coupons	15 years	11.23	11.14	10.60
6		25 years	10.79	10.75	10.00
7	High	5 years	11.70	11.60	10.90
8	Coupons	15 years	11.41	11.32	10.76
9		25 years	10.86	10.80	10.12
10	Irredeemables †		10.51	10.48	9.64
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.76	3.69	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.83	3.83	0.0
13	Inflat'n rate 10%	5 yrs	2.25	2.18	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.66	3.66	0.0
15	Debs &	5 years	11.98	11.67	11.38
16	Loans	15 years	11.91	11.81	11.30
17		25 years	11.91	11.82	11.23
18	Preference †		11.57	11.55	11.82

‡ Opening index 1614.3; 10 am 1608.2; 11 am 1605.1; Noon 1605.1; 1 pm 1605.2; 2 pm 1607.8; 3 pm 1609.0; 3.30 pm 1609.1; 4 pm 1607.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*553)	500	77	95	107	5	14	22
	550	40	55	65	23	30	37
	600	14	25	35	55	60	62
P. & O. (*497)	460	57	68	83	7	10	15
	500	30	42	53	22	30	35
	550	12	20	30	58	65	70
Racal (*166)	140	37	43	—	4	6	—
	160	20	29	38	10	14	16

November 20. Total Contracts 39,427, Calls 27,868, Puts 11,559. FT-SE Index, Calls 1,056, Puts 1,471. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

Nov. 20	Price Sch.	+ or −
Credit'nst'lt pp	2,230	−10
Goesser	3,300	+10
Interunfall	13,400	+100
Jungbunzlauer	11,620	+40
Laenderbank	6,650	−10
Perlmooser	610	−6
Steyr Daimler	158	......
Veitscher Mag	11,096	+16

BELGIUM/LUXEMBOURG

Nov. 20	Price Frs.	+ or −
B.B.L.	5,005	+5
Banq. Gen. Lux.	16,200	−100
Banq. Int. A.Lux.	14,900	−10
Bekaert	11,000	+100
Ciment CBR	5,820	+60
Cockerill	141	+6
Delhaize	6,855	+6
EBES	4,730	+30
Electrobel	14,925	......
Fabrique Nat	1,950	......
GB Inno BM	8,570	+170
GBL (Brux)	3,680	+160
Generale Bank	0,800	......
Gevaert	3,100	......
Hoboken	7,630	+130
Intercom	6,730	......
Kredietbank	4,180	−10
Pan Hldgs.	10,750	......
Petrofina	9,430	+20
Royale Belge	69,430	+10
Soc. Gen. Belge.	6,270	+70
Sofina	11,830	+60
Solvay	8,350	+90
Stanwick Intl	250	......
Tractionel	6,630	+80
UCB	8,740	−130
Wagons Lits	6,390	−10

DENMARK

Nov. 20	Price Knr %	+ or −
Baltica Skand	630	+3
Cop Handelsb'nk	245	......
D. Sukkerfab	341	−7
Danske Bank	297	+3
East Asiatic	166	+2
Forenede Brygg.	993	−6
GNT Hld	613	+3
I.S.S.B	710	+5
Jyske Bank	465	+5
Novo Inds *	627	−1
Privatbanken	235	+2
Superfos	165	−6

FINLAND

Nov. 20	Price Mks	+ or −
Amer	178	−3.6
KOP	43.5	−0.1
Kone	192.6	+3.0
Finnish Sugar	88.4	−1.1
Nokia	141	−0.6
Pohjola "B"	53.3	+0.6
Rauma-Repola	19.75	+0.25
Stockmann "B"	140	−0.6
UBF "C"	27.85	+0.05
Wartsila (611)	154	−0.3

NETHERLANDS

Nov. 20	Price Fls	+ or −
ACF Holding	64.9	+1.4
AEGON	92.7	+1
Ahold	110.8	+6.9
AKZO	159	+1.7
ABN	550.5	+3.6
AMEV	76.8	+1
AMRO	95.6	+0.8
Bredero Cert.	100	......
Bos Kalis Westm	6.9	+0.3
Buehrmann Tet.	689	+4.5
Calland Holdings	19.8	......
Dordtsche Pet'm	194.9	+0.8
Elsevier-NDU	343	+7
Fokker	64.2	+0.2
[illegible]	[illegible]	[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices November 20

MONTREAL

Closing prices November 20

Indices

NEW YORK

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

* Indicates pre-close figure

** Saturday November 18: Japan Nikkei (c). TSE (c).

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 49

LONDON

Chief price changes (In pence unless otherwise indicated)

RISES		
Barker	118	+20
Bejam	170	+6
BP	688	+5
Burton	284	+6
Cable	322	+12
Conroy Petrol	436	+60
Courtaulds	315½	+6½
Cultus Res	26	+7
Exco Intl.	267	+36
Extel	386	+11
Kennedy	292	+17
Lister	122	+10
Lucas Inds.	444	+7
Merc. House	310	+10
NMC Invs.	183	+7
Petranol	54	+4
Pilk. Bros.	611	+81
Southend St.	294	+26
Standard Ch	800	+12
Utd. Leasing	160	+12
Wimpey (Geo)	185½	+7

FALLS		
Tr 13¼% '97	£108¹⁵⁄₁₆	−1
Avana	473	−31
Brit & Com	294	−16
Commercial U	257	−7
DDT	158	−18
Kloof Gold	514	−30
McCorquodale	298	−18
Norton Opax	125	−8
Tate & Lyle	576	−5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	15	AAR s	.44	1.2	17	280	22⅞	22	22⅞	+⅝
30	21¾	ADT	.92	3.5		356	26¼	26	26	−⅛
33	14½	AFG s	.12i	.4	13	1494	27½	26¼	26⅞	+⅝
25⅜	18¾	AGS			16	129	24½	23⅞	24½	+⅝
15	7⅝	AMCA				14	6	6	6	−⅛
62⅛	38¾	AMR			13	3478	56⅜	55⅝	56⅛	+⅛
24¼	19⅜	ANR pf	2.12	8.7		502	u24½	24¼	24½	+1⅛
18¾	10	ARX	.711	6.8	18	4	10⅜	10⅜	10⅜	
41½	28¾	ASA	2a	5.6		282	35⅞	35⅝	35¾	+¼
18⅜	9¾	AVX		2.8		297	11⅝	11	11⅝	+½
32	25½	AZP	2.72	8.3	8	1888	28⅝	28	28½	+½
55	30¼	AbtLb s	.84	1.8	20	7180	46⅛	44⅝	46⅛	+1¾
32	23⅜	AccoWd.56		2.1	17	53	26½	26⅛	26½	
14⅞	8	AcmeC .40		3.8		197	10¾	9⅞	10½	+½
9¼	6¼	AcmeE.32b		5.1	18	78	6⅜	6¼	6¼	−⅛
23⅞	17½	AdaEx 4.45e		22.		84	20½	20	20½	+⅜
33⅜	19	AdmMl .48		1.7	13	41	27½	27⅛	27½	+½
20⅜	12⅛	AdvSyst.45t		9.7	13	37	15	14¾	15	+¼
32⅞	12⅞	AMD				1201	15⅜	15	15⅜	+⅛
12⅜	5¼	Adobe				72	6¼	6⅛	6⅛	
16⅜	13¾	Adob pf	1.84	12.		12	16⅛	16	16	−¼
20¼	16⅜	Adob pf	2.40	14.		2	17¾	17¾	17¾	
18⅜	9⅜	Advest	.12a	.9	18	107	13⅞	13⅜	13¾	+¼
66¼	46⅞	AetnLf	2.34	4.8	9	3526	54½	53¾	54½	+1¼
56⅜	51½	AetL pf	4.69e	8.9		450	52⅞	52⅞	52⅞	+¼
101½	87¼	AetL pfC	5.29e	6.0		181	88½	87¾	88½	+¼
[illegible]										

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
54⅞	19⅝	Whitehl			23	615	33¼	22¼	22½	−⅜
35	17¼	Whittak .60		1.0		174	21	30⅞	51	+¼
17¼	9	Willred .12		1.6	12	17	11⅞	11⅝	11⅜	−⅜
16½	11⅞	WillcxG .15		1.6	8	52	15¾	15⅜	15⅜	−⅛
28¾	17⅝	WilliamI .40		5.8		2337	24⅜	22½	24⅛	+1½
12¼	5¼	WilmEl			29	142	5⅝	5⅝	6¼	
7⅛	4	WilshrO10b		2.1	90	220	5	4¾	4⅞	−⅛
59	34⅜	WinDx 1.80		3.7	16	835	48¼	45¼	48¼	+6
20¾	0	Winnbg .20		1.9	14	1207	10⅞	10½	10¾	
9⅝	3½	Winner				29	3⅛	3½	3⅛	
10⅝	4½	WinterJ16e		2.6	10	2	6⅛	6⅛	6⅛	+⅛
64½	30¾	WiscEP2.68		5.6	11	1265	53⅞	53⅛	53⅞	+⅜
196	76	WisE pf8.90		8.9		z360	103¾	102	103¾	+1¼
60¼	20½	WiscPL2.96		5.7	19	72	52⅝	51	52⅝	+⅝
63	20	WiscPS 3		5.7	13	3352	53	52⅜	52¾	−¼
38½	22	Witco s 1.12		5.2	12	149	34¾	34	34¾	+⅜
15⅞	6½	WolvrW12j				414	9½	6	9½	+½
49	28¼	Wlwth s1.12		2.7	13	3368	42¼	41	41⅞	
137	80	Wolw pf2.20		1.9		2	118½	118½	118½	−1½
5¼	2	WrldAr			2	14	4¾	4⅝	4⅝	−⅛
19¾	18¾	WrldVl n				58	12⅛	d19	18	−¾
51	27¼	Wrigly s .96		2.1	16	122	47⅜	49⅛	46½	−⅜
4¼	1⅝	Wurlitzr				28	2⅜	2¼	2¼	−⅛
17½	11	WyleLb .32		2.6	98	112	12½	12	12½	+¼
25¾	16	Wynns .60		2.7		165	23¼	22	22¼	+⅛

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
72¼	48⅝	Xerox	5	5.2	10	3965	58⅛	36¼	96	+1¼
58¼	54	Xerox pf5.45		9.5		23	57¼	57¼	57¼	
28¾	20¾	XTRA	.64	2.8		64	22⅝	22¼	22⅝	+⅛
16⅝	16½	Yorkln n				125	17¼	16⅞	17⅛	+¼
45¾	20½	ZaleCp 1.40		3.3		1367	42	40	42	+2¼
8½	2¼	Zapata .03j				502	2½	2⅜	2½	
43⅞	20¾	Zayre s	.32	1.2	16	2674	20	25⅛	25⅝	+⅜
17	6¾	Zemex	.40	3.3	19	52	12½	12	12¼	+¾
28⅛	17⅞	ZenithE				120	20⅝	20⅛	20⅝	+⅛
18¼	6	ZenLb s			63	848	10⅝	9⅞	10⅛	+⅛
22⅜	12⅜	Zero s	.29	2.1	14	87	14	13⅞	13⅞	−⅛
45¾	32¾	Zurnin 1.32		3.4	18	99	28	37⅞	39	+1⅛
10⅝	9½	Zweig n				505	8⅞	9⅝	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Blue chips inspire new confidence

BATTERED takeover stocks climbed aboard the blue-chip bandwagon on Wall Street yesterday as share prices advanced strongly on a broad front, *writes Roderick Oram in New York.*

The rally came from within the stock market and lacked any outside help from bond prices which suffered losses of more than ½ a point.

The Dow Jones industrial average closed up 34.03 at 1,860.66. The New York Stock Exchange composite index advanced 2.40 to 139.02 on moderately heavy volume of 158.12m shares, with 327 issues advancing and 227 declining.

Among blue chips General Motors was up $1¼ to $72¾, Eastman Kodak advanced $2¼ to $67½, AT&T was up $¾ to $26¼ and General Electric gained $1⅞ to $77⅞.

After three days' turmoil in the markets in the wake of the Boesky insider trading scandal, investors broadened their sights yesterday from beyond the blue stocks which had been their main interest on Wednesday.

For the first time this week stocks linked to takeover speculation attracted buyers after suffering as a group a 10 per cent fall in value earlier in the week amid market fears that many takeover and restructuring deals could not be consummated in the present turbulent environment.

Most prominent of the recovering speculative stocks was Goodyear Tire and Rubber which gained $1¼ to $43. It said it was offering $50 a share for 37 per cent of its stock held generally and buying for $49½ the 11.5 per cent stake of Sir James Goldsmith's investment group which was contemplating a takeover offer. It was the most active with 7.5m shares, or about 7 per cent of the total, changing hands.

Among other takeover and restructuring stocks which rebounded, Holiday Corp, the Holiday Inns chain, jumped $1¾ to $70. Drexel Burnham Lambert said it was confident it could raise the funds for the company's restructuring. Holiday said some banks had expressed interest in helping with the financing.

Lear Siegler rose $2⅞ to $81⅞. It said on Wednesday it would do its own restructuring if Wickes, unchanged at $4, failed to complete its takeover of it. Wickes said it was having difficulty getting sufficient money for the bid. AFG, which had dropped an earlier bid for Lear, said it had bought a 4.8 per cent stake.

TWA, the main corporate vehicle of Mr Carl Icahn, who is bidding for USX, gained $1⅛ to $22¼ while USX rose $⅛ to $21⅝. Both stocks had fallen sharply this week as the market wondered whether Mr Icahn could pursue the bid in the current unsettled environment.

Lucky Stores advanced $¾ to $32⅞. Mr Asher Edelman reactivated his $37-a-share offer for the company which is offering to buy back shares.

CPC rebounded $3⅜ to $75⅝. The food group, which has been identified as a takeover target, announced some restructuring moves on Wednesday.

Gillette, the object of a bid from Mr Ronald Perelman's Revlon group, eased $½ to $58¼.

Hewlett-Packard rose $1⅛ to $41⅞. It announced profits for the year of $2.02 a share, in the middle of analysts' forecasts. Other computer makers were also ahead. IBM rose $½ to $123½, Digital Equipment rose $2 to $100½, NCR gained $1¾ to $45½ and Unisys advanced $⅞ to $79⅞.

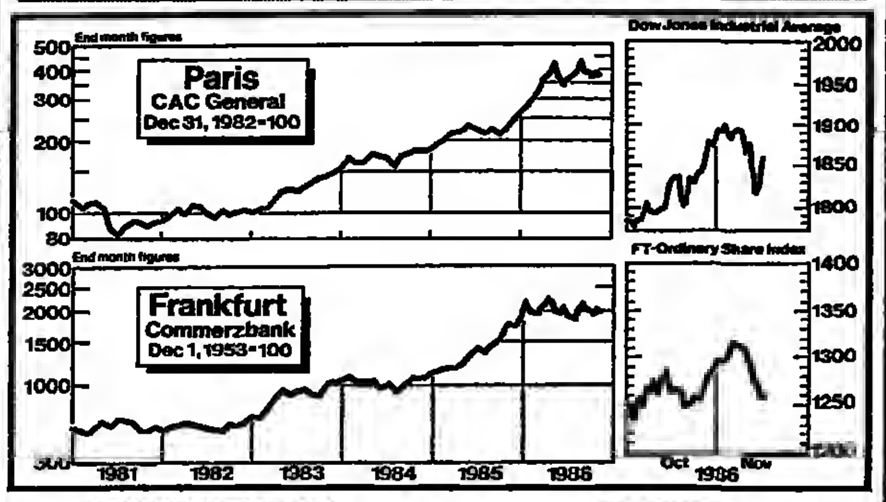
Among companies reporting results yesterday, Navistar was unchanged at $5⅝ after returning to a loss and Campbell Soup rose $¼ to $58¾ on net profits of 90 cents a share for the third quarter against 82 cents a year earlier.

Credit markets eased back after the strong rise on Wednesday, prompted in part by comments from Governor Manuel Johnson of the Federal Reserve. But on further reflection yesterday the market decided that his suggestion that the Fed had a bit more policy flexibility was not the same as saying a discount-rate cut was imminent.

The price of the benchmark 7.50 per cent Treasury long bond due in 2018 fell 13/32 of a point to 100 22/32 at which it yielded 7.48 per cent.

Three-month Treasury bills rose five basis points to 5.37 per cent while six-month gained 10 basis points to 5.43 per cent and year bills advanced 11 basis points to 5.51 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 20	Previous	Year ago
NEW YORK			
DJ Industrials	1,841.11*	1,826.63	1,439.22
DJ Transport	820.13*	816.50	685.74
DJ Utilities	205.49*	205.03	164.50
S&P Composite	239.67*	237.66	198.99
LONDON			
FT Ord	1,259.8	1,258.8	1,121.6
FT-SE 100	1,610.7	1,604.3	1,424.3
FT-A All-share	800.45	798.35	696.04
FT-A 500	874.77	872.23	763.12
FT Gold mines	309.1	310.9	293.6
FT-A Long gilt	10.86	10.80	10.44
TOKYO			
Nikkei	17,304.56	17,283.81	12,642.9
Tokyo SE	1,417.70	1,419.79	996.88
AUSTRALIA			
All Ord.	1,330.9	1,335.8	986.4
Metals & Mins.	642.7	651.3	489.7
AUSTRIA			
Credit Aktien	233.74	227.89	219.10
BELGIUM			
Belgian SE	n/a	3,923.53	2,947.26
CANADA			
Toronto			
Metals & Mins	2,080.9*	2,067.90	1,876.0
Composite	3,007.5*	3,000.00	2,811.0
Montreal			
Portfolio	1,518.95*	1,510.71	136.23
DENMARK			
SE	n/a	n/a	227.77
FRANCE			
CAC Gen	381.70	378.40	236.7
Ind. Tendance	146.80	145.60	88.6
WEST GERMANY			
FAZ-Aktien	681.56	closed	569.79
Commerzbank	1,987.20	closed	1,742.7
HONG KONG			
Hang Seng	2,245.95	2,243.34	1,757.29
ITALY			
Banca Comm.	n/a	718.98	422.84
NETHERLANDS			
ANP-CBS Gen	280.70	278.70	236.1
ANP-CBS Ind	280.60	278.20	211.4
NORWAY			
Oslo SE	379.49	377.41	405.07
SINGAPORE			
Straits Times	886.90	888.08	747.85
SOUTH AFRICA			
JSE Golds	—	n/a	1,224.0
JSE Industrials	—	n/a	1,001.9
SPAIN			
Madrid SE	182.66	178.51	101.05
SWEDEN			
J & P	2,594.73	2,577.13	1,519.72
SWITZERLAND			
Swiss Bank Ind	573.9	570.00	536.4
WORLD	Nov 19	Previous	Year ago
MS Capital Int'l	341.00	341.00	240.4

COMMODITIES

(London)	Nov 20	Prev
Silver (spot fixing)	386.85p	391.85p
Copper (cash)	£928.50	£951.75
Coffee (Nov)	£2,047.00	£2,032.50
Oil (Brent blend)	$15.00	$15.375

GOLD (per ounce)

	Nov 20	Prev
London	$389.25	$393.25
Zürich	$389.55	$393.25
Paris (fixing)	$388.20	$393.44
Luxembourg	$387.25	$392.00
New York (Dec)	$388.50	$388.50

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR Nov 20	US DOLLAR Previous	STERLING Nov 20	STERLING Previous
$	–	–	1.4110	1.4180
DM	2.0080	2.0075	2.8325	2.8475
Yen	162.75	162.40	229.5	230.25
FFr	6.5750	6.5750	9.2776	9.3225
SFr	1.6700	1.6705	2.356	2.3675
Guilder	2.2675	2.2640	3.20	3.2100
Lira	1,389	1,388.5	1,960	1,969
BFr	41.76	41.70	58.90	59.15
C$	1.3850	1.3835	1.9540	1.9625

INTEREST RATES

	Nov 20	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11 3/16
SFr	4	4
DM	4⅝	4⅝
FFr	8 15/16	7 7/16
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	6⅝*	5⅞
US 3-month CDs	5.70*	5.825
US 3-month T-bills	5.34*	5.46

US BONDS

Treasury	November 20* Price	Yield	Prev Price	Yield
6¾ 1988	100	6.25	100 1/32	6.251
7⅜ 1993	100 15/32	7.019	100 15/32	7.019
7⅛ 1996	100 3/32	7.201	100 7/32	7.192
7¼ 2016	100 19/32	7.458	100 29/32	7.458

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Day's change	Nov 20* Yield	Day's change
1–30	159.45	–0.08	6.92	+0.02
1–10	151.66	–0.10	6.62	+0.03
1– 5	141.74	–0.04	6.24	+0.02
3– 5	154.59	–0.13	6.72	+0.03
15–30	187.27	–0.08	7.90	+0.01

Source: Merrill Lynch

Corporate	November 20* Price	Yield	Prev Price	Yield
AT & T				
3⅛ July 1990	92.449	6.25	92.449	6.25
SCBT South Central				
10⅞ Jan 1993	107	9.380	106.875	9.407
Phibro-Sal				
8 April 1996	99	8.152	99	8.152
TRW				
8⅞ March 1996	103.125	8.25	103.125	8.25
Arco				
9⅞ March 2016	106.375	9.051	106	9.08
General Motors				
8⅝ April 2016	92.25	8.889	91.5	8.95
Citicorp				
9⅝ March 2016	99.625	9.410	99.233	9.45

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	99–23	100–07	99–13	99–27
US Treasury Bills (IMM)				
$1m points of 100%				
Dec	94.76	94.82	94.77	94.81
Certificates of Deposit (IMM)				
$1m points of 100%				
Dec	n/a	n/a	n/a	94.46
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	94.04	94.07	94.03	93.97
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	106–18	106–20	105–06	106–14

* Latest available figures

TOKYO

Spotlight falls on chemicals

GROWING demand for issues with a strong business performance helped Tokyo to rise moderately, *writes Shigeo Nishiwaki of Jiji Press.*

Drugs and housing-related stocks were popular, but issues involved in redevelopment projects dipped. Large-capital stocks were again neglected.

The Nikkei average rose 20.75 to close at 17,304.56, but volume remained low at 339.55m shares against Wednesday's 382.09m. Losses outpaced gains 410 to 372, with 176 issues unchanged.

Investors were reluctant buyers, following reports of corporate profit declines and personnel cuts. Institutions which bought large-capital and consumer issues in August and October have suffered an evaluation loss on the subsequent plunge in prices. Market analysts predicted these shares would be unloaded when the market recovers.

In the circumstances, investors sought issues with a sound business outlook, such as pharmaceuticals, which major securities companies are recommending for possible development of new drugs using biotechnology. Takeda Chemical advanced Y60 to Y2,310, topping its all-time high of Y2,300 scored on September 6. Sankyo rose Y80 to Y1,460 and Taisho Pharmaceutical Y90 to Y1,750.

Lion was also bought, reaching Y1,520 with a Y50 jump, Kao went up Y10 to Y1,620 and Shiseido Y100 to Y2,080.

Buying of housing-related issues grew, reflecting a smooth increase in housing starts and the Government's plans to boost consumer-spending. Daiwa House closed Y60 higher at Y1,790 and Sekisui House Y40 up at Y1,660.

Kokuyo, which chalked up a record recurring profit for the year ended in September – the third consecutive annual record – rose Y70 to Y1,900. Nippon Columbia increased Y40 to Y1,450, reflecting its higher output of compact discs.

With popularity rapidly dwindling, Japan Steel Works lost Y4 to Y382. It was the most active stock, but volume was only 20.74m shares. But Sumitomo Heavy Industries, with 15.09m shares, registered a moderate Y7 gain to Y275.

Among large-capital issues, Tokyo Gas sagged Y9 to Y941, and Tokyo Electric Power fell Y120 to Y7,370. Nippon Kokan was Y10 up at Y212, but its volume was low.

Bond trading was active, with investors encouraged by the sharp rise on the US bond market. Both dealers and institutional investors reacted calmly to the upward revision of US gross national product for the third quarter announced on Wednesday.

Dealers traded actively, and city banks stepped up buying on the comment by Mr Manuel Johnson, vice chairman of the US Federal Reserve Board, that there was room for an interest-rate cut in the US.

The 6.2 per cent government bond due in July 1995, which has recently been weak, advanced with its yield falling to 5.180 per cent from 5.210 per cent on Wednesday. The yield on the 5.1 per cent government bond maturing in June 1996, expected to replace the 6.2 per cent bond as the benchmark issue, fell steeply to 5.490 per cent from 5.757 per cent in active trading.

SOUTH AFRICA

THE LOWER bullion price took golds sharply lower in Johannesburg. Among golds Randfontein lost R11 to R384 and Kloof R2.50 to R31.50.

Rustenburg Platinum was R1.25 lower at R43.75, but diamond share De Beers was steady at R32. Mining financial Gencor fell R2 to R55.

Industrials closed generally mixed.

EUROPE

Frankfurt boosted by foreigners

STRONG demand from foreign investors for blue chips lifted Frankfurt yesterday while most other bourses also ended the day on a firmer note largely as a result of domestic factors.

Frankfurt, which rose on Tuesday ahead of a holiday, has suffered from an absence of foreign traders in recent months. Their return yesterday pushed the Commerzbank index, set at mid-session, 12 higher to 1,987.2.

Demand focused initially on blue chip Siemens, up DM 11 to DM 703.50, Daimler, DM 14 higher at DM 1,277, and Deutsche Bank, up DM 9.5 to DM 801.50. All three groups have reported, or are expecting, steady to improved profits.

The blue-chip rises soon spread to other shares in their respective sectors. Among electricals AEG added DM 2.50 to DM 313, and computer maker Nixdorf was DM 12.20 up at DM 702.

Foreign buying also boosted the bond market with long maturities adding up to 160 basis points although most rises ranged between 30 and 75 basis points.

The Bundesbank sold DM 134m of paper in its daily market-balancing operation after selling DM 78m on Tuesday.

Amsterdam also benefited from buying by foreign investors, and advances were seen in most sectors although trading was quiet.

Multinationals experienced most activity, partly recovering from the nervousness over insider trading which took them lower on Wednesday.

Philips, which announced a reasearch project for a fifth-generation computer, advanced 30 cents to Fl 45.40, Unilever rose a strong Fl 5 to Fl 496.50 and Royal Dutch edged 60 cents higher to Fl 205.70.

Zurich firmed despite renewed pressure on chemicals following reports of a gas leak from a Ciba-Geigy plant.

Bearer shares in Ciba-Geigy slipped SFr 70 to SFr 3,305 and Sandoz SFr 175 to SFr 9,850. Hoffmann-La Roche "baby", however, rose SFr 150 to SFr 11,575.

Elsewhere, blue chips led banks and insurances higher, and industrials were taken higher by demand for Nestlé which rose SFr 9,200.

Brussels staged a recovery in an active session marking the beginning of the new trading account, and shares closed generally higher.

Bargain-hunters pushed GBL back up after two days of steep losses connected with an inquiry into the operations of its US affiliate, Drexel Burnham Lambert. GBL ended BFr 160 higher at BFr 3,680 ex-dividend.

Petrofina gained BFr 20 to BFr 9,430. Chemicals were mixed, with Solvay adding BFr 80 to BFr 8,350 and UCB down BFr 150 to BFr 8,740.

Paris also rallied in active business on the last day of the bourse trading month as institutions bought in anticipation of a strong start to the new month today.

Blue chips ended mainly firmer, also helped by Wall Street's upturn on Wednesday and optimistic economic news at home.

Thomson-CSF, whose shareholders approved an increase in capital, gained FFr 15 to FFr 1,530.

Among the few blue-chip losers, Elf Aquitaine eased 30 centimes to FFr 308.50 and Imetal was off FFr 1.90 to FFr 55.10.

Milan was exceptional in closing lower after heavy selling, partly caused by uncertainty over the passage through parliament of the 1987 budget.

Fiat was down L180 to L14,220, Generali L3,225 to L125,800 and Olivetti L500 to L12,850. But Montedison held its own, closing L30 higher at L2,955.

Madrid continued its upward trend on optimism about the inflation rate. Construction, food and bank stocks led the advance.

Stockholm, too, was higher, with the downturn in interest rates a key factor. Volvo added SKr 7 to SKr 383 in advance of the company's announcement of lower third-quarter earnings.

Esselte, the office supplies group, was steady at SKr 150. It announced lower nine-month profits.

Oslo rose marginally in quiet trading.

SINGAPORE

PROFIT-TAKING amid an absence of fresh factors took Singapore generally lower, with blue chips registering some of the larger falls.

The Straits Times industrial index eased 1.18 to 886.90 in light trading.

Malaysian counter Sri Hartamas suffered from heavy selling for the second consecutive session. It fell 8.5 cents to 66.5 cents on continued speculation that it had been subjected to forced selling. After the close the company requested a temporary suspension of trading in its shares.

CANADA

GAINS on Wall Street gave the lead to Toronto which traded higher in most major sectors.

Among metals and mines, which led much of the rise, Rio Algom traded C$1 higher to C$20¾ and Noranda added C$⅛ to C$20⅝.

Among firmer golds, which shrugged off the weaker bullion price, Lac Minerals was C$⅝ firmer at C$26.

In Montreal most sectors were mixed to marginally lower.

LONDON

A RALLY by government bonds, the firm start on Wall Street and some good corporate results helped share prices to stabilise in London yesterday. Confidence was also given a boost by the return of takeover activity.

Early gains were trimmed, but the FT-SE 100 index managed to close 6.4 higher at 1,610.7 and the FT-Ordinary index ended 1 up at 1,259.8.

Oils were distracted from the Opec meeting by BP's results, and BP closed 5p higher at 688p.

Pilkington Bros leapt 81p to 611p even though BTR's bid for it had been widely predicted in the market. International money broker Exco was 38p higher at 267p in response to the agreed terms offered for the equity by British and Commonwealth Shipping.

After two days of sharp losses, the gilts sector found its footing again. Long-dated Treasuries recouped early losses and closed with a few scattered gains of ¼ of a point.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44-45.

HONG KONG

FOREIGN institutions began selling late in the session in Hong Kong, and prices generally eased.

However, the government land auction on Wednesday continued to affect property shares which closed steady to higher. SHK rose 20 cents to HK$17.30, and New World Development added 5 cents to HK$8.80.

Hutchison Whampoa lost 50 cents to HK$40.50, and Hongkong Electric slipped 10 cents to HK$10.00. The two groups plan a major investment in a Chinese power plant project. Cheung Kong, Hutchison's affiliate, lost 50 cents to HK$31.25.

Among other utilities China Light fell 10 cents to HK$19.70. Trading group Swire Pacific added 10 cents to HK$16.70.

AUSTRALIA

THE BULLION price, which slid in New York and Asia, once again determined the trend of shares in Sydney, pushing them generally lower and proving Wednesday's upturn short-lived.

The All Ordinaries index ended 4.9 lower at 1,330.9, off the day's lows after some selective buying emerged.

ACI, the diversified packaging group which reported improved first-half profits, gained 2 cents to A$4.02.

In lower turnover, most golds, mining stocks and industrials followed the easier trend, but Poseidon proved an exception, gaining 4 cents to A$5.24 and Central Norseman managed a 10-cent rise to A$13.40 after dropping to A$13.00.